

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

IN RE:

Leonard E. Nau and Susan J. Nau,

Chapter 7
BKY 04-34106

Debtor(s).

**NOTICE OF HEARING AND MOTION
FOR RELIEF FROM THE AUTOMATIC STAY**

TO: UNITED STATES BANKRUPTCY COURT, UNITED STATES TRUSTEE, THE DEBTORS, THE DEBTORS' ATTORNEY, AND OTHER PARTIES IN INTEREST:

1. Community First National Bank, secured creditor of the Debtors herein, by its undersigned attorneys, moves the Court for the relief requested below and gives notice of hearing.

2. The Court will hold a hearing on this motion, at 10:30 A.M. on November 8, 2004, or as soon thereafter as counsel can be heard, in Courtroom 228B at the United States Courthouse, 200 Warren E. Burger Federal Building, 316 North Robert Street, St. Paul, Minnesota, before the Honorable Gregory F. Kishel, United States Bankruptcy Court Judge.

3. Any entity opposing the motion under Local Rule 9013-2(b) is required to file a response, including a memorandum of facts and law and any opposing affidavit, with the clerk within the time specified in Local Rule 9006-1(b). Any response to this motion must be filed and delivered not later than November 1, 2004, which is seven days before the time set for hearing (including intermediate Saturdays, Sundays, and legal holidays) or must be filed and

mailed not later than October 29, 2004, which is ten days before the time set for hearing (including intermediate Saturdays, Sundays, and legal holidays). IF NO RESPONSE IS TIMELY FILED, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITHOUT A HEARING.

MOTION TO LIFT AUTOMATIC STAY

1. This Court has jurisdiction over this motion pursuant to 28 U.S.C. §§ 157 and 1334, Bankruptcy Rule 5005. This is a core proceeding. The petition commencing this case was filed on July 14, 2004, as a Chapter 7 proceeding. The case is now pending in this Court.

2. This motion arises under 11 U.S.C. § 362(d) and Bankruptcy Rule 4001. This motion is filed under Bankruptcy Rule 9014 and Local Rules 9013-1 through 9013-3. Movant requests relief from the automatic stay of 11 USC § 362 with respect to certain real property and personal property that is subject to a perfected security interest of Community First National Bank through its mortgage lien and security interest lien in the real estate and personal property of Debtors, which security instruments dated October 10, 2003, more fully described as (collectively, the "Property"):

REAL PROPERTY:

Parcel 1:

That part of the Northeast Quarter (NE $\frac{1}{4}$) of Section Twenty-three (23), Township One Hundred Three (103) North of Range Thirty-eight (38) West, Jackson County, Minnesota, described as follows: Commencing at a point on the East section line 1,320.00 feet North of the Southeast corner of the Northeast Quarter (NE $\frac{1}{4}$) as the point of beginning; thence 706.00 feet North on the East Section line; thence West and parallel with the South line of said Northeast Quarter (NE $\frac{1}{4}$) a distance of 533.00 feet; thence South and parallel with the East Section line a distance of 546.00 feet; thence East parallel with the South line of said Northeast Quarter (NE $\frac{1}{4}$) a distance of 49.00 feet; thence South and parallel to the East Section line a distance of 160.00 feet; thence East and parallel with the South line of said Northeast Quarter (NE $\frac{1}{4}$) a distance of 484.00 feet to the point of beginning; and

Parcel 2:

Commencing at the certain iron stake, the location of which is ascertained as follows: Commencing at the Southwest corner of Section Thirty-five (35), in Township One Hundred Four (104) North, Range Thirty-eight (38) West of the Fifth Principal Meridian, thence southerly along the section line between Sections Two (2) and Three (3) of Township One Hundred Three (103), Range Thirty-eight (38) to the center of the railroad track of the Chicago, Milwaukee, and Omaha Railroad, a distance of 283 feet, 5 inches, thence northeasterly along the center of said railroad track a distance of 1,015 feet 2 inches, thence southeasterly at a right angle to the fence line along the Southeast side of said railroad property a distance of 49 feet 7 inches, to said iron stake of 1" X 1" X 18"; starting from said described iron stake thence northeasterly along the Southeast side of said railroad property a distance of 330.00 feet, thence northeasterly along the South side of the site formerly leased from said railroad company by the grantee herein a distance of 155.00 feet, thence northerly along the East side of said formerly leased site to the West side of Jackson County Highway property line, a distance of 40.00 feet, thence South and southeasterly along the West side of said Jackson County Highway property a distance of 219.00 feet to a point marked with a 1" X 1" X 18" iron stake on the Southwest side of said County Highway property, said iron stake being tied with measurements as follows: (northeasterly to Government Elevation Monument Marker 512, distance from stake 363 feet 1 inch and northwesterly to Center of Chicago, St. Paul, Milwaukee and Omaha Railroad track 241 feet 1 inch, and 300.00 feet northeasterly along center of railroad track to the intersection center of the two railroads), thence southwesterly from said iron stake a distance of 617 feet 3 inches to the place of commencement, comprising a measured area of 1.06 acres, all lying and being in the Southwest Quarter (SW $\frac{1}{4}$) of Section Thirty-five (35), Township One Hundred Four (104), Range Thirty-eight (38).

PERSONAL PROPERTY:

All equipment and motor vehicles, including, without limitation, the following-described motor vehicles and the property described in the attached Exhibit A: Ford 1984 CC MHV, VIN: 1FDPF7OH8EVA45706; 1997 Ford F-K, VIN: 1FTDF1721VKC01673; and 1992 International, VIN: 1HTSCNMP8NH427720.

3. On or about October 10, 2003, Leonard E. Nau and Susan J. Nau, husband and wife, executed and delivered to Community First National Bank a promissory note, commercial loan agreement, security agreement and a mortgage conveying the Property, and said mortgage was subsequently duly filed for record on October 20, 2003, as Document Number 238454. Copies of the promissory note, commercial loan agreement, security agreement, and mortgage deed are attached as Exhibits B, C, D and E, respectively. Community First's security interest in

the personal property and vehicles were perfected by the filing of one or more UCC financing statements, copies of which are attached hereto as Exhibit F and Community First is a lienholder on the titles to the three motor vehicles identified above, as evidenced by the lienholder cards attached as Exhibit G.

4. That pursuant to the provisions of 11 USC §362(d)(1), Community First National Bank alleges "cause" for relief from the stay and is entitled to relief from the automatic stay on the following grounds:

a. The Debtor is in default on the promissory note, security agreement, and mortgage, having failed to make the required installment payments under the note, security agreement, and mortgage. Debtor is in default of three installment payments under the Note. Debtor's delinquent installment payments under the note total \$3,109.80 as of the date of this motion.

b. An additional event of default exists on the grounds that the Property is not insured against loss by fire, extended coverage perils, or other hazards, and Community First National Bank is not named as a loss payee under any insurance.

c. Debtors have made no offer of adequate protection under 11 USC § 361.

5. As of October 22, 2004, the total outstanding indebtedness under the note, security agreement, and mortgage, which debt has been accelerated, is:

Principal	\$ 96,269.91
Late Charges	103.66
Interest to 10/22/04	
(Per Diem \$23.3989)	1,981.86
Attorneys' Fees	<u>1,500.00</u>
Total	\$ 99,855.43

6. Debtor lists the value of Parcel 1 at \$80,000.00, which is the value of the parcel according to the Jackson County Assessor, and Debtors indicate that there is a first mortgage lien

in said premises with a balance owing of approximately \$114,000.00 to another secured party. Movant obtained an appraisal of Parcel 1 indicating that the value of said premises is \$145,000.00. Debtor lists the value of Parcel 2 as \$0.00, and according to the records of the Jackson County Assessor, the value of the parcel is \$2,000.00. The value of Parcel 2 and its improvements is difficult to ascertain because it is a specialty use elevator property. The value of the personal property comprising the Property is estimated at \$40,000.00.

7. By reason of the foregoing, good cause exists to lift the automatic stay imposed by 11 USC § 362(a) to allow Community First National Bank to pursue its remedies under state law.

A separate memorandum of facts and law is submitted with the motion.

WHEREFORE, Community First National Bank moves the Court for its order granting relief from the Automatic Stay with respect to the real property and the personal property described herein securing Community First National Bank's claims and to permit the movant to pursue and complete its foreclosure and replevin on the Property and otherwise pursue its rights under its mortgage, security agreement, and applicable state law, or in the alternative, for such other relief as the Court may deem just and equitable.

PEMBERTON, SORLIE, RUFE & KERSHNER,
P.L.L.P.

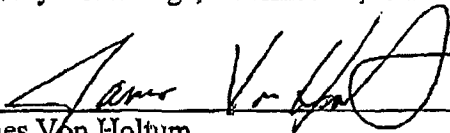
Dated: October 22, 2004.

By /e/Kent D. Mattson
 Kent D. Mattson, No. 239744
 Attorneys for Community First National Bank
 110 North Mill Street, P.O. Box 866
 Fergus Falls, MN 56538-0866
 Telephone: 218-736-5493

VERIFICATION

STATE OF MINNESOTA)
)ss.
COUNTY OF NOBLES)

I, James Von Holtum, being first duly sworn on oath, verify and state that I am an employee and loan officer of Community First National Bank and I am familiar with the loan documents and loan arrangements with Leonard and Susan Nau. I declare under penalty of perjury that the facts set forth in the foregoing Notice of Hearing and Motion for Relief from Stay are true and correct, according to the best of my knowledge, information, and belief.



James Von Holtum

Subscribed and sworn to before me
this 22nd day of October, 2004.

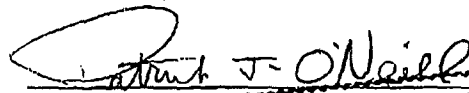
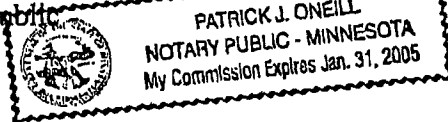

Notary Public


EXHIBIT A
Listing of Equipment

3 GE Speaker Phones
3 Office Desks
3 Office Chairs
1 2-drawer file cabinet
1 Window air conditioner
2 Sentry gates
2 Legal size 4-drawer file cabinets
1 Computer printer
1 Computer keyboard, drive, and monitor
1 Photocopy machine
1 Fax machine
1 Fax storage cabinet
1 Computer table
1 Water cooler and jugs
1 Refrigerator
2 Clocks
1 Drug scale – Hobart
1 Toledo corn scale
1 Moisture tester
1 Microwave
1 Toaster
1 Aluminum drug scoop
1 Twin dry vac with hose and attachments
1 Wet/dry vac
1 Feed cart
4 Fire extinguishers
1 Toro blower
Trouble lights/prop cords
Miscellaneous shovels, brooms, rakes
3 Adding machines
1 Schuld bulk tank
1 Frieson bulk tank
1 Data line
1 Postage scale
2 Ring binders
1 Multiple-hole paper punch
2 Staplers/2 scissors/rulers
2 Scotch Tape dispensers
1 Radio
4 Ink cartridges for printer/copier
Miscellaneous paper products, office supplies
15 Sections of storage stackers
6 Long-life light bulbs

- 7 Grinding screens
- 2 Folding chairs
- 1 Aluminum ladder
- 1 Aluminum step ladder
- 1 Safety harness and accessories
- 1 1992 International feed truck with box, 9 ton diesel
- 1 1984 Ford feed truck with sliding Box, 6 ton gas
- 1 1997 Ford F-150 regular cab pickup
- 1 50 ft. Fairbanks-Morse Alley scale/pit
- 1 2-ton vertical mixer
- 1 1-ton hopper scale/electronics
- 1 P-195 Jacobson hammer mill
- 1 Wet/dry outside leg/metal
- 1 Inside Mack leg/wood

LOAN NUMBER	LOAN NAME	ACCT. NUMBER	NOTE DATE	INITIALS
4510315811	Leonard E. Nau	113777	10/10/03	<i>SV</i>
NOTE AMOUNT	INDEX (w/Margin)	RATE	MATURITY DATE	LOAN PURPOSE
\$98,746.95	Not Applicable	8.750%	10/15/08	Commercial
Creditor Use Only				

PROMISSORY NOTE
(Commercial - Single Advance - Fixed Rate)

DATE AND PARTIES. The date of this Promissory Note (Note) is October 10, 2003. The parties and their addresses are:

LENDER:

COMMUNITY FIRST NATIONAL BANK
1027 4th Avenue
PO Box 699
Worthington, Minnesota 56187
Telephone: (507) 376-6161

BORROWER:

LEONARD E. NAU
84829 360th Ave
Okabena, Minnesota 56161

SUSAN J. NAU
84829 360th Ave
Okabena, Minnesota 56161

1. DEFINITIONS. As used in this Note, the terms have the following meanings:

- A. Pronouns.** The pronouns "I," "me," and "my" refer to each Borrower signing this Note, individually and together with their heirs, successors and assigns, and each other person or legal entity (including guarantors, endorsers, and sureties) who agrees to pay this Note. "You" and "Your" refer to the Lender, with its participants or syndicators, successors and assigns, or any person or company that acquires an interest in the Loan.
- B. Note.** Note refers to this document, and any extensions, renewals, modifications and substitutions of this Note.
- C. Loan.** Loan refers to this transaction generally, including obligations and duties arising from the terms of all documents prepared or submitted for this transaction such as applications, security agreements, disclosures or notes, and this Note.
- D. Property.** Property is any property, real, personal or intangible, that secures my performance of the obligations of this Loan.
- E. Percent.** Rates and rate change limitations are expressed as annualized percentages.

2. PROMISE TO PAY. For value received, I promise to pay you or your order, at your address, or at such other location as you may designate, the principal sum of **\$98,746.95 (Principal)** plus interest from October 10, 2003 on the unpaid Principal balance until this Note matures or this obligation is accelerated.

3. INTEREST. Interest will accrue on the unpaid Principal balance of this Note at the rate of **8.750 percent (Interest Rate)**.

- A. Interest After Default.** If you declare a default under the terms of this Loan, including for failure to pay in full at maturity, you may increase the Interest Rate otherwise payable as described in this section. In such event, interest will accrue on the unpaid Principal balance of this Note at the Interest Rate in effect from time to time under the terms of this Note, until paid in full.
- B. Maximum Interest Amount.** Any amount assessed or collected as interest under the terms of this Note or obligation will be limited to the Maximum Lawful Amount of interest allowed by state or federal law. Amounts collected in excess of the Maximum Lawful Amount will be applied first to the unpaid Principal balance. Any remainder will be refunded to me.
- C. Statutory Authority.** The amount assessed or collected on this Note is authorized by the Minnesota usury laws under Minn. Stat. § 47.59.
- D. Accrual.** During the scheduled term of this Loan interest accrues using an Actual/360 days counting method.

4. ADDITIONAL CHARGES. As additional consideration, I agree to pay, or have paid, the fees and charges listed on the APPENDIX: FEES AND CHARGES, which is attached to and made part of this Note. I understand and agree that some payments to third parties as part of this transaction may also involve money retained by you or paid back to you as commissions or other remuneration.

5. REMEDIAL CHARGES. In addition to interest or other finance charges, I agree that I will pay these additional fees based on my method and pattern of payment. Additional remedial charges may be described elsewhere in this Note.

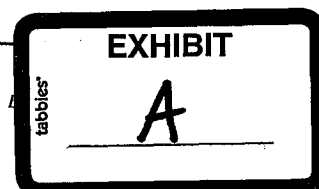
- A. Late Charge.** If a payment is more than 10 days late, I will be charged 5.000 percent of the Unpaid Portion of Payment. I will pay this late charge promptly but only once for each late payment. This amount may then increase so as to always be the highest amount allowed by law under Minnesota Statutes § 47.59.

6. GOVERNING AGREEMENT. This Note is further governed by the Commercial Loan Agreement executed between you and me as part of this Loan, as modified, amended or supplemented. Upon execution of this Note, I represent that I have reviewed and am in compliance with the terms contained in the Commercial Loan Agreement.

7. PURCHASE MONEY LOAN. You may include the name of the seller on the check or draft for this Note.

8. PAYMENT. I agree to pay this Note in 60 payments. I will make 59 payments of \$1,036.60 beginning on November 15, 2003, and on the 15th day of each month thereafter. A single "balloon payment" of the entire unpaid balance of Principal and interest will be due on October 15, 2008.

Payments will be rounded to the nearest \$.01. With the final payment I also agree to pay any additional fees or charges owing and the amount of any advances you have made to others on my behalf. Payments scheduled to be paid on the 29th, 30th or 31st day of a month that contains no such day will, instead, be made on the last day of such month.



Initial *SV*
Page 1

Each payment I make on this Note will be applied first to any charges that I owe other than principal and interest then to interest that is due, and finally to principal that is due. If you and I agree to a different application of payments, we will describe our agreement on this Note. The actual amount of my final payment will depend on my payment record.

9. **PREPAYMENT.** I may prepay this Loan in full or in part at any time. Any partial prepayment will not excuse any later scheduled payments until I pay in full.

10. **LOAN PURPOSE.** The purpose of this Loan is fund purchase of business and business assets.

11. **SECURITY.** This Loan is secured by separate security instruments prepared together with this Note as follows:

Document Name	Parties to Document
Mortgage - 35319 880th Street/84829 360th Ave	Leonard Nau, Susan Nau
Security Agreement - Leonard Nau, Susan Nau	Leonard Nau, Susan Nau

12. **ASSUMPTIONS.** Someone buying the Property cannot assume the obligation. You may declare the entire balance of the Note to be immediately due and payable upon the creation of, or contract for the creation of, any lien, encumbrance, or transfer of the Property. However, I may sell or similarly dispose of any Property that is inventory.

13. **WAIVERS AND CONSENT.** To the extent not prohibited by law, I waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.

A. Additional Waivers By Borrower. In addition, I, and any party to this Note and Loan, to the extent permitted by law, consent to certain actions you may take, and generally waive defenses that may be available based on these actions or based on the status of a party to this Note.

(1) You may renew or extend payments on this Note, regardless of the number of such renewals or extensions.

(2) You may release any Borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.

(3) You may release, substitute or impair any Property securing this Note.

(4) You, or any institution participating in this Note, may invoke your right of set-off.

(5) You may enter into any sales, repurchases or participations of this Note to any person in any amounts and I waive notice of such sales, repurchases or participations.

(6) I agree that any of us signing this Note as a Borrower is authorized to modify the terms of this Note or any instrument securing, guarantying or relating to this Note.

B. No Waiver By Lender. Your course of dealing, or your forbearance from, or delay in, the exercise of any of your rights, remedies, privileges or right to insist upon my strict performance of any provisions contained in this Note, or other Loan documents, shall not be construed as a waiver by you, unless any such waiver is in writing and is signed by you.

14. **APPLICABLE LAW.** This Note is governed by the laws of Minnesota, the United States of America and to the extent required, by the laws of the jurisdiction where the Property is located.

15. **JOINT AND INDIVIDUAL LIABILITY AND SUCCESSORS.** My obligation to pay this Loan is independent of the obligation of any other person who has also agreed to pay it. You may sue me alone, or anyone else who is obligated on this Loan, or any number of us together, to collect this Loan. Extending this Loan or new obligations under this Loan, will not affect my duty under this Loan and I will still be obligated to pay this Loan. The duties and benefits of this Loan will bind and benefit the successors and assigns of you and me.

16. **AMENDMENT, INTEGRATION AND SEVERABILITY.** This Note may not be amended or modified by oral agreement. No amendment or modification of this Note is effective unless made in writing and executed by you and me. This Note is the complete and final expression of the agreement. If any provision of this Note is unenforceable, then the unenforceable provision will be severed and the remaining provisions will still be enforceable.

17. **INTERPRETATION.** Whenever used, the singular includes the plural and the plural includes the singular. The section headings are for convenience only and are not to be used to interpret or define the terms of this Note.

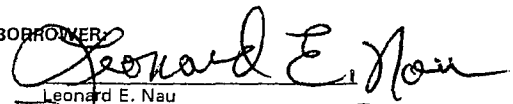
18. **NOTICE, FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS.** Unless otherwise required by law, any notice will be given by delivering it or mailing it by first class mail to the appropriate party's address listed in the DATE AND PARTIES section, or to any other address designated in writing. Notice to one party will be deemed to be notice to all parties. I will inform you in writing of any change in my name, address or other application information. I agree to sign, deliver, and file any additional documents or certifications that you may consider necessary to perfect, continue, and preserve my obligations under this Loan and to confirm your lien status on any Property. Time is of the essence.

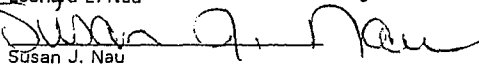
19. **CREDIT INFORMATION.** I agree to supply you with whatever information you reasonably request. You will make requests for this information without undue frequency, and will give me reasonable time in which to supply the information.

20. **ERRORS AND OMISSIONS.** I agree, if requested by you, to fully cooperate in the correction, if necessary, in the reasonable discretion of you of any and all loan closing documents so that all documents accurately describe the loan between you and me. I agree to assume all costs including by way of illustration and not limitation, actual expenses, legal fees and marketing losses for failing to reasonably comply with your requests within thirty (30) days.

21. **SIGNATURES.** By signing, I agree to the terms contained in this Note. I also acknowledge receipt of a copy of this Note.

BORROWER


Leonard E. Nau


Susan J. Nau

LENDER:

Community First National Bank

Loan Officer

(Attest)

ADDITIONAL FEES AND CHARGES

As described in the ADDITIONAL CHARGES section of the attached Note, I agree to pay, or have paid, these additional fees and charges.

Nonrefundable Fees and Charges. The following fees are earned when collected and will not be refunded if I prepay this Note before the scheduled maturity date.

Title Insurance. A(n) Title Insurance fee of \$297.00 payable from the loan proceeds.

State Tax Stamps - Mortgage. A(n) State Tax Stamps - Mortgage fee of \$227.70 payable from the loan proceeds.

Satisfaction. A(n) Satisfaction fee of \$20.00 payable from the loan proceeds.

Recording UCC. A(n) Recording UCC fee of \$20.00 payable from the loan proceeds.

Recording - Mortgage. A(n) Recording - Mortgage fee of \$40.00 payable from the loan proceeds.

Platte Drawing. A(n) Platte Drawing fee of \$150.00 payable from the loan proceeds.

Loan Origination. A(n) Loan Origination fee of \$1,425.00 payable from the loan proceeds.

Flood Certification. A(n) Flood Certification fee of \$30.00 payable from the loan proceeds.

Deed Tax. A(n) Deed Tax fee of \$437.25 payable from the loan proceeds.

Attorneys. A(n) Attorneys fee of \$350.00 payable from the loan proceeds.

Appraisal. A(n) Appraisal fee of \$500.00 payable from the loan proceeds.

Abstract or Title Search. A(n) Abstract or Title Search fee of \$250.00 payable from the loan proceeds.

I understand and agree that some payments to third parties as part of this transaction may also involve money retained by you or paid back to you as commissions or other remuneration.

LOAN NUMBER	LOAN NAME	ACCT. NUMBER	AGREEMENT DATE	INITIALS
4510315811	Leonard E. Nau	113777	10/10/03	JV
NOTE AMOUNT	INDEX (w/Margin)	RATE	MATURITY DATE	LOAN PURPOSE
\$98,746.95	Not Applicable	8.750%	10/15/08	Commercial
Creditor Use Only				

COMMERCIAL LOAN AGREEMENT

Single Advance Loan

DATE AND PARTIES. The date of this Commercial Loan Agreement (Agreement) is October 10, 2003. The parties and their addresses are as follows:

LENDER:

COMMUNITY FIRST NATIONAL BANK
1027 4th Avenue
PO Box 699
Worthington, Minnesota 56187

BORROWER:

LEONARD E. NAU
84829 360th Ave
Okabena, Minnesota 56161

SUSAN J. NAU
84829 360th Ave
Okabena, Minnesota 56161

1. DEFINITIONS. For the purposes of this Agreement, the following terms have the following meanings.

A. Accounting Terms. In this Agreement, any accounting terms that are not specifically defined will have their customary meanings under generally accepted accounting principles.

B. Insiders. Insiders include those defined as insiders by the United States Bankruptcy Code, as amended; or to the extent left undefined, include without limitation any officer, employee, stockholder or member, director, partner, or any immediate family member of any of the foregoing, or any person or entity which, directly or indirectly, controls, is controlled by or is under common control with me.

C. Loan. The Loan refers to this transaction generally, including obligations and duties arising from the terms of all documents prepared or submitted for this transaction.

D. Pronouns. The pronouns "I", "me" and "my" refer to every Borrower signing this Agreement, individually or together, and their heirs, successors and assigns. "You" and "your" refers to the Loan's lender, any participants or syndicators, or any person or company that acquires an interest in the Loan and their successors and assigns.

E. Property. Property is any property, real, personal or intangible, that secures my performance of the obligations of this Loan.

2. SINGLE ADVANCE. In accordance with the terms of this Agreement and other Loan documents, you will provide me with a term note in the amount of \$98,746.95 (Principal). I will receive the funds from this Loan in one advance. No additional advances are contemplated, except those made to protect and preserve your interests as provided in this Agreement or other Loan documents.

3. MATURITY DATE. I agree to fully repay the Loan by October 15, 2008.

4. WARRANTIES AND REPRESENTATIONS. I represent and warrant that I have the right and authority to enter into this Agreement. The execution and delivery of this Agreement will not violate any agreement governing me or to which I am a party.

A. Loan Purpose. This Loan is for Commercial purposes.

B. No Other Liens. I own or lease all property that I need to conduct my business and activities. I have good and marketable title to all property that I own or lease. All of my Property is free and clear of all liens, security interests, encumbrances and other adverse claims and interests, except those to you or those you consent to in writing.

C. Compliance With Laws. I am not violating any laws, regulations, rules, orders, judgments or decrees applicable to me or my property, except for those which I am challenging in good faith through proper proceedings after providing adequate reserves to fully pay the claim and its challenge should I lose.

5. FINANCIAL STATEMENTS. I will prepare and maintain my financial records using consistently applied generally accepted accounting principles then in effect. I will provide you with financial information in a form that you accept and under the following terms.

A. Certification. I represent and warrant that any financial statements that I provide you fairly represents my financial condition for the stated periods, is current, complete, true and accurate in all material respects, includes all of my direct or contingent liabilities and there has been no material adverse change in my financial condition, operations or business since the date the financial information was prepared.

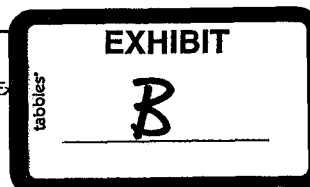
B. Frequency. In addition to the financial statements provided to you prior to closing, I will provide you with current financial statements on an annual basis, or as otherwise requested by you, until I have performed all of my obligations under the Loan and you terminate the Loan in writing.

C. Requested Information. I will provide you with any other information about my operations, financial affairs and condition within 10 days after your request.

D. Additional Financial Statements Term. The Borrower agrees to provide the Lender with annual prepared business and personal financial statements, balance sheet and tax returns within 30 days of fiscal year end. The Borrower also agrees to provide interim financial statements within 30 days following mid-year. The Borrower also agrees not to incur any capital expenditures without the prior approval of the Lender.

6. COVENANTS. Until the Loan and all related debts, liabilities and obligations are paid and discharged, I will comply with the following terms, unless you waive compliance in writing.

A. Participation. I consent to you participating or syndicating the Loan and sharing any information that you decide is necessary about me and the Loan with the other participants or syndicators.



6. Inspection. Upon reasonable notice, I will permit you or your agents to enter any of my premises and any location where my Property is located during regular business hours to do the following.

- (1) You may inspect, audit, check, review and obtain copies from my books, records, journals, orders, receipts, and any correspondence and other business related data.
- (2) You may discuss my affairs, finances and business with any one who claims to be my creditor.
- (3) You may inspect my Property, audit for the use and disposition of the Property's proceeds and proceeds of proceeds; or do whatever you decide is necessary to preserve and protect the Property and your interest in the Property.

After prior notice to me, you may discuss my financial condition and business operations with my independent accountants, if any, or my chief financial officer and I may be present during these discussions. As long as the Loan is outstanding, I will direct all of my accountants and auditors to permit you to examine my records in their possession and to make copies of these records. You will use your best efforts to maintain the confidentiality of the information you or your agents obtain, except you may provide your regulator, if any, with required information about my financial condition, operation and business or that of my parent, subsidiaries or affiliates.

C. Business Requirements. I will preserve and maintain my present existence and good standing in the jurisdiction where I am organized and all of my rights, privileges and franchises. I will do all that is needed or required to continue my business or activities as presently conducted, by obtaining licenses, permits and bonds everywhere I engage in business or activities or own, lease or locate my property. I will obtain your prior written consent before I cease my business or before I engage in any new line of business that is materially different from my present business.

D. Compliance with Laws. I will not violate any laws, regulations, rules, orders, judgments or decrees applicable to me or my Property, except for those which I challenge in good faith through proper proceedings after providing adequate reserves to fully pay the claim and its appeal should I lose. Laws include without limitation the Federal Fair Labor Standards Act requirements for producing goods, the federal Employee Retirement Income Security Act of 1974's requirements for the establishment, funding and management of qualified deferred compensation plans for employees, health and safety laws, environmental laws, tax laws, licensing and permit laws. On your request, I will provide you with written evidence that I have fully and timely paid my taxes, assessments and other governmental charges levied or imposed on me, my income or profits and my property. Taxes include without limitation sales taxes, use taxes, personal property taxes, documentary stamp taxes, recordation taxes, franchise taxes, income taxes, withholding taxes, FICA taxes and unemployment taxes. I will adequately provide for the payment of these taxes, assessments and other charges that have accrued but are not yet due and payable.

E. New Organizations. I will obtain your written consent and any necessary changes to the Loan documents before I organize or participate in the organization of any entity, merge into or consolidate with any one, permit any one else to merge into me, acquire all or substantially all of the assets of any one else or otherwise materially change my legal structure, management, ownership or financial condition.

F. Other Liabilities. I will not incur, assume or permit any debt evidenced by notes, bonds or similar obligations, except: debt in existence on the date of this Agreement and fully disclosed to you; debt subordinated in payment to you on conditions and terms acceptable to you; accounts payable incurred in the ordinary course of my business and paid under customary trade terms or contested in good faith with reserves satisfactory to you.

G. Notice to You. I will promptly notify you of any material change in my financial condition, of the occurrence of a default under the terms of this Agreement, or a default by me under any agreement between me and any third party which materially and adversely affects my property, operations, financial condition or business.

H. Dispose of No Assets. Without your prior written consent or as the Loan documents permit, I will not sell, lease, assign, transfer, dispose of or otherwise distribute all or substantially all of my assets to any person other than in the ordinary course of business for the assets' depreciated book value or more.

I. Insurance. I will obtain and maintain insurance with insurers, in amounts and coverages that are acceptable to you and customary with industry practice. This may include without limitation insurance policies for public liability, fire, hazard and extended risk, workers compensation, and, at your request, business interruption and/or rent loss insurance. At your request, I will deliver to you certified copies of all of these insurance policies, binders or certificates. I will obtain and maintain a mortgagee or loss payee endorsement for you when these endorsements are available. I will immediately notify you of cancellation or termination of insurance. I will require all insurance policies to provide you with at least 10 days prior written notice to you of cancellation or modification. I consent to you using or disclosing information relative to any contract of insurance required by the Loan for the purpose of replacing this insurance. I also authorize my insurer and you to exchange all relevant information related to any contract of insurance required by any document executed as part of this Loan.

J. Property Maintenance. I will keep all tangible and intangible property that I consider necessary or useful in my business in good working condition by making all needed repairs, replacements and improvements and by making all rental, lease or other payments due on this property.

K. Property Loss. I will immediately notify you, and the insurance company when appropriate, of any material casualty, loss or depreciation to the Property or to my other property that affects my business.

L. Minimum Current Ratio. I will maintain at all times a ratio of current assets to current liabilities, determined under consistently applied generally accepted accounting principles, of 1:20:1 or more.

M. Additional Covenants. Borrower agrees to maintain a minimum debt service coverage ratio of 1.2 to 1, whereas debt service coverage ratio is defined as net income plus depreciation expense plus amortization expense divided by current maturities of long term debt. Borrower also agrees that dividends paid out by the business will be limited to Lender approval limits, and any dividends must be approved by Lender in writing before payout.

7. DEFAULT. I will be in default if any of the following occur:

- A. Payments.** I fail to make a payment in full when due.
- B. Insolvency.** I make an assignment for the benefit of creditors or become insolvent, either because my liabilities exceed my assets or I am unable to pay my debts as they become due.
- C. Death or Incompetency.** I die or am declared legally incompetent.
- D. Failure to Perform.** I fail to perform any condition or to keep any promise or covenant of this Agreement.
- E. Other Documents.** A default occurs under the terms of any other transaction document.
- F. Other Agreements.** I am in default on any other debt or agreement I have with you.
- G. Misrepresentation.** I make any verbal or written statement or provide any financial information that is untrue, inaccurate, or conceals a material fact at the time it is made or provided.
- H. Judgment.** I fail to satisfy or appeal any judgment against me.
- I. Forfeiture.** The Property is used in a manner or for a purpose that threatens confiscation by a legal authority.
- J. Name Change.** I change my name or assume an additional name without notifying you before making such a change.
- K. Property Transfer.** I transfer all or a substantial part of my money or property.
- L. Property Value.** The value of the Property declines or is impaired.
- M. Insecurity.** You reasonably believe that you are insecure.

8. REMEDIES. After I default, and after you give any legally required notice and opportunity to cure the default, you may at your option do any one or more of the following.

- A. Acceleration.** You may make all or any part of the amount owing by the terms of the Loan immediately due.

you may use any and all remedies you have under state or federal law or in any instrument securing the Loan.

C. **Insurance Benefits.** You may make a claim for any and all insurance benefits or refunds that may be available on my default.

D. **Payments Made On My Behalf.** Amounts advanced on my behalf will be immediately due and may be added to the balance owing under the terms of the Loan, and accrue interest at the highest post-maturity interest rate.

E. **Attachment.** You may attach or garnish my wages or earnings.

F. **Set-Off.** You may use the right of set-off. This means you may set-off any amount due and payable under the terms of the Loan against any right I have to receive money from you.

My right to receive money from you includes any deposit or share account balance I have with you; any money owed to me on an item presented to you or in your possession for collection or exchange; and any repurchase agreement or other non-deposit obligation. "Any amount due and payable under the terms of the Loan" means the total amount to which you are entitled to demand payment under the terms of the Loan at the time you set-off.

Subject to any other written contract, if my right to receive money from you is also owned by someone who has not agreed to pay the Loan, your right of set-off will apply to my interest in the obligation and to any other amounts I could withdraw on my sole request or endorsement.

Your right of set-off does not apply to an account or other obligation where my rights arise only in a representative capacity. It also does not apply to any Individual Retirement Account or other tax-deferred retirement account.

You will not be liable for the dishonor of any check when the dishonor occurs because you set-off against any of my accounts. I agree to hold you harmless from any such claims arising as a result of your exercise of your right of set-off.

G. **Waiver.** Except as otherwise required by law, by choosing any one or more of these remedies you do not give up your right to use any other remedy. You do not waive a default if you choose not to use a remedy. By electing not to use any remedy, you do not waive your right to later consider the event a default and to use any remedies if the default continues or occurs again.

9. **COLLECTION EXPENSES AND ATTORNEYS' FEES.** On or after Default, to the extent permitted by law, I agree to pay all expenses of collection, enforcement or protection of your rights and remedies under this Agreement. Expenses include, but are not limited to, attorneys' fees, court costs and other legal expenses. If not paid immediately, these expenses will bear interest from the date of payment until paid in full at the highest interest in effect as provided in the terms of this Loan. All fees and expenses will be secured by the Property I have granted to you, if any. To the extent permitted by the United States Bankruptcy Code, I agree to pay the reasonable attorneys' fees you incur to collect this debt as awarded by any court exercising jurisdiction under the Bankruptcy Code.

10. **APPLICABLE LAW.** This Agreement is governed by the laws of Minnesota, the United States of America and to the extent required, by the laws of the jurisdiction where the Property is located.

11. **JOINT AND INDIVIDUAL LIABILITY AND SUCCESSORS.** My obligation to pay this Loan is independent of the obligation of any other person who has also agreed to pay it. You may sue me alone, or anyone else who is obligated on this Loan, or any number of us together, to collect this Loan. Extending this Loan or new obligations under this Loan, will not affect my duty under this Loan and I will still be obligated to pay this Loan. The duties and benefits of this Loan will bind and benefit the successors and assigns of you and me.

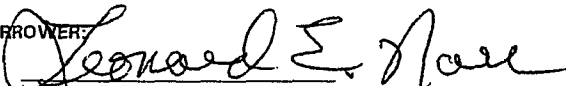
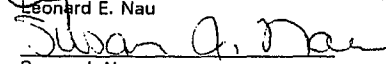
12. **AMENDMENT, INTEGRATION AND SEVERABILITY.** This Agreement may not be amended or modified by oral agreement. No amendment or modification of this Agreement is effective unless made in writing and executed by you and me. This Agreement is the complete and final expression of the understanding between you and me. If any provision of this Agreement is unenforceable, then the unenforceable provision will be severed and the remaining provisions will still be enforceable.

13. **INTERPRETATION.** Whenever used, the singular includes the plural and the plural includes the singular. The section headings are for convenience only and are not to be used to interpret or define the terms of this Agreement.

14. **NOTICE, FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS.** Unless otherwise required by law, any notice will be given by delivering it or mailing it by first class mail to the appropriate party's address listed in the DATE AND PARTIES section, or to any other address designated in writing. Notice to one party will be deemed to be notice to all parties. I will inform you in writing of any change in my name, address or other application information. I will provide you any financial statement or information you request. All financial statements and information I give you will be correct and complete. I agree to sign, deliver, and file any additional documents or certifications that you may consider necessary to perfect, continue, and preserve my obligations under this Loan and to confirm your lien status on any Property. Time is of the essence.

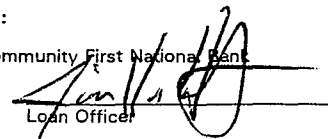
15. **SIGNATURES.** By signing, I agree to the terms contained in this Agreement. I also acknowledge receipt of a copy of this Agreement.

BORROWER:


Leonard E. Nau

Susan J. Nau

LENDER:

Community First National Bank


Loan Officer

(Attest)

SECURITY AGREEMENT

DATE AND PARTIES. The date of this Security Agreement (Agreement) is October 10, 2003. The parties and their addresses are:

SECURED PARTY:

COMMUNITY FIRST NATIONAL BANK
1027 4th Avenue
PO Box 699
Worthington, Minnesota 56187

DEBTOR:

LEONARD E. NAU
84828 360th Ave
Okabena, Minnesota 56161
SSN: 475-64-4517

SUSAN J. NAU
84828 360th Ave
Okabena, Minnesota 56161
SSN: 472-60-7963

The pronouns "you" and "your" refer to the Secured Party. The pronouns "I," "me" and "my" refer to each person or entity signing this Agreement as Debtor and agreeing to give the Property described in this Agreement as security for the Secured Debts.

1. SECURED DEBTS. This Agreement will secure the following Secured Debts:

A. **Specific Debts.** The following debts and all extensions, renewals, refinancings, modifications and replacements. A promissory note, No. 4610315811, dated October 10, 2003, from me to you, in the amount of \$98,746.96.

B. **All Debts.** All present and future debts from me to you, even if this Agreement is not specifically referenced, the future debts are also secured by other collateral, or if the future debt is unrelated to or of a different type than this debt. If more than one person signs this Agreement, each agrees that it will secure debts incurred either individually or with others who may not sign this Agreement. Nothing in this Agreement constitutes a commitment to make additional or future loans or advances. Any such commitment must be in writing.

This Agreement will not secure any debt for which you fail to give any required notice of the right of rescission. This Agreement will not secure any debt for which a non-possessory, non-purchase money security interest is created in "household goods" in connection with a "consumer loan," as those terms are defined by federal law governing unfair and deceptive credit practices.

C. **Suma Advanced.** All suma advanced and expenses incurred by you under the terms of this Agreement.

2. SECURITY INTEREST. To secure the payment and performance of the Secured Debts, I give you a security interest in all of the Property described in this Agreement that I own or have sufficient rights in which to transfer an interest, now or in the future, wherever the Property is or will be located, and all proceeds and products from the Property (including, but not limited to, all parts, accessories, repairs, replacements, improvements, and acccessions to the Property). Property is all the collateral given as security for the Secured Debts and described in this Agreement, and includes all obligations that support the payment or performance of the Property. "Proceeds" includes anything acquired upon the sale, lease, license, exchange, or other disposition of the Property; any rights and claims arising from the Property; and any collections and distributions on account of the Property.

Property also includes any original evidence of title or ownership whether evidenced by a certificate of title or ownership, a manufacturer's statement of origin or other document when the Property is titled under any federal or state law. I will deliver the title documents and properly execute all title documents as necessary to reflect your security interest.

This Agreement remains in effect until terminated in writing, even if the Secured Debts are paid and you are no longer obligated to advance funds to me under any loan or credit agreement.

3. PROPERTY DESCRIPTION. The Property is described as follows:

A. **Inventory.** All inventory which I hold for ultimate sale or lease, or which has been or will be supplied under contracts of service, or which are raw materials, work in process, or materials used or consumed in my business.

B. **Accounts and Other Rights to Payment.** All rights I have now or in the future to payments including, but not limited to, payment for property or services sold, leased, rented, licensed, or assigned, whether or not I have earned such payment by performance. This includes any rights and interests (including all liens and security interests) which I may have by law or agreement against any Account Debtor or obligor of mine.

C. **Instruments, Documents and Chattel Paper.** All instruments and rights I have now or in the future to payments including, but not limited to, rights to payment arising out of all present and future documents, instruments, tangible and electronic chattel paper, and loans and obligations receivable. This includes any rights and interests (including all liens and security interests) which I may have by law or agreement against any Account Debtor or obligor of mine.

D. **General Intangibles.** All general intangibles including, but not limited to, tax refunds, applications for patents, patents, copyrights, trademarks, trade secrets, good will, trade names, customer lists, permits and franchises, payment intangibles, computer programs and all supporting information provided in connection with a transaction relating to computer programs, and the right to use my name.

E. **Equipment.** All equipment including, but not limited to, all machinery, vehicles, furniture, fixtures, manufacturing equipment, farm machinery and equipment, shop equipment, office and recordkeeping equipment, and parts and tools. All equipment described in a list or schedule which I give to you will also be included in the Property, but such a list is not necessary for a valid security interest in my equipment.

F. **Motor Vehicle, Mobile Home, Sport Craft, or Trailer.** A Motor Vehicle of Make: Ford, Year: 1984, Model: CC MHV, VIN: 1FDPF7QH8EVA45706.

A Motor Vehicle of Make: Ford, Year: 1997, Model: F6, VIN: 1FTDF1721VKC01673.

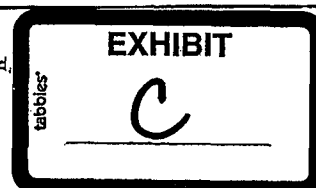
A Motor Vehicle of Make: Intl, Year: 1992, Model: , VIN: 1HTSCNNP8NH627720.

G. **Specific Property.**

4. WARRANTIES AND REPRESENTATIONS. I have the right and authority to enter into this Agreement. The execution and delivery of this Agreement will not violate any agreement governing me or to which I am a party. Leonard E. Nau is an individual with a principal residence located in Minnesota. Susan J. Nau is an individual with a principal residence located in Minnesota. I will provide you with at least 30 days notice prior to any change in my name or principal residence location.

Leonard E. Nau
Minnesota Security Agreement
MN/4Xibuchwi0080000000657029101003Y

©1986 Bankers Systems, Inc., St. Cloud,



Initials
Page 1
[Signature]

A. **Ownership of Property.** To the extent this is a Purchase Money Security Interest I will acquire ownership of the Property with the proceeds of the Purchase Money Loan. Your claim to the Property is ahead of the claims of any other creditor, except as disclosed in writing to you prior to any advance on the Secured Debts. The collateral that is the subject of the chattel paper is perfected and preserved. I represent that I am the original owner of the Property and, if I am not, that I have provided you with a list of prior owners of the Property.

5. DUTIES TOWARD PROPERTY.

A. **Protection of Secured Party's Interest.** I will defend the Property against any other claim. I agree to do whatever you require to protect your security interest and to keep your claim in the Property ahead of the claims of other creditors. I will not do anything to harm your position.

I will keep books, records and accounts about the Property and my business in general. I will let you examine these and make copies at any reasonable time. I will prepare any report or accounting you request when I deal with the Property.

B. **Use, Location, and Protection of the Property.** I will keep the Property in my possession and in good repair. I will use it only for commercial purposes. I will not change this specified use without your prior written consent. You have the right of reasonable access to inspect the Property and I will immediately inform you of any loss or damage to the Property. I will not cause or permit waste to the Property.

I will keep the Property at my address listed in the DATE AND PARTIES section unless we agree I may keep it at another location. If the Property is to be used in other states, I will give you a list of those states. The location of the Property is given to aid in the identification of the Property. It does not in any way limit the scope of the security interest granted to you. I will notify you in writing and obtain your prior written consent to any change in location of any of the Property. I will not use the Property in violation of any law. I will notify you in writing prior to any change in my name or address.

Until the Secured Debts are fully paid and this Agreement is terminated, I will not grant a security interest in any of the Property without your prior written consent. I will pay all taxes and assessments levied or assessed against me or the Property and provide timely proof of payment of these taxes and assessments upon request.

C. **Selling, Leasing or Encumbering the Property.** I will not sell, offer to sell, lease, or otherwise transfer or encumber the Property without your prior written permission, except for inventory sold in the ordinary course of business at fair market value, or at a minimum price established between you and me. If I am in default under this Agreement, I may not sell the inventory portion of the Property even in the ordinary course of business. Any disposition of the Property contrary to this Agreement will violate your rights. Your permission to sell the Property may be reasonably withheld without regard to the creditworthiness of any buyer or transferee. I will not permit the Property to be the subject of any court order affecting my rights to the Property in any action by anyone other than you. If the Property includes chattel paper or instruments, either as original collateral or as proceeds of the Property, I will note your security interest on the face of the chattel paper or instruments.

D. **Additional Duties Specific to Accounts.** I will not settle any Account for less than its full value without your written permission. Until you tell me otherwise, I will collect all Accounts in the ordinary course of business. I will not dispose of the Accounts by assignment without your prior written consent. I will keep the proceeds from all the Accounts and any goods which are returned to me or which I take back. I will not commingle them with any of my other property. I will deliver the Accounts to you at your request. If you ask me to pay you the full price on any returned items or items retaken by me, I will do so. I will make no material change in the terms of any Account, and I will give you any statements, reports, certificates, lists of Account Debtors (showing names, addresses and amounts owing), invoices applicable to each Account, and other data in any way pertaining to the Accounts as you may request.

E. **Additional Duties Specific to Motor Vehicles, Sport Craft, or Trailers.** So long as I am not in default under this Agreement, the Motor Vehicle, Sport Craft, or Trailer portion of the Property will not be restricted to a specific location and may be moved as necessary during ordinary use. However, they may not be removed from the United States or Canada without your prior written consent, nor taken out of state permanently.

6. **INSURANCE.** I agree to keep the Property insured against the risks reasonably associated with the Property. I will maintain this insurance in the amounts you require. This insurance will last until the Property is released from this Agreement. I may choose the insurance company, subject to your approval, which will not be unreasonably withheld.

I will have the insurance company name you as loss payee on any insurance policy. I will give you and the insurance company immediate notice of any loss. You may apply the insurance proceeds toward what is owed on the Secured Debts. You may require added security as a condition of permitting any insurance proceeds to be used to repair or replace the Property.

If you acquire the Property in damaged condition, my right to any insurance policies and proceeds will pass to you to the extent of the Secured Debts.

I will immediately notify you of cancellation or termination of insurance. If I fail to keep the Property insured, you may obtain insurance to protect your interest in the Property. This insurance may include coverages not originally required of me, may be written by a company other than one I would choose, and may be written at a higher rate than I could obtain if I purchased the insurance.

7. **COLLECTION RIGHTS OF THE SECURED PARTY.** Account Debtor means the person who is obligated on an account, chattel paper, or general intangible. I authorize you to notify my Account Debtors of your security interest and to deal with the Account Debtors' obligations at your discretion. You may enforce the obligations of an Account Debtor, exercising any of my rights with respect to the Account Debtors' obligations to make payment or otherwise render performance to me, including the enforcement of any security interest that secures such obligations. You may apply proceeds received from the Account Debtors to the Secured Debts or you may release such proceeds to me.

I specifically and irrevocably authorize you to exercise any of the following powers at my expense, without limitation, until the Secured Debts are paid in full:

- A. demand payment and enforce collection from any Account Debtor or Obligor by suit or otherwise.
- B. enforce any security interest, lien or encumbrance given to secure the payment or performance of any Account Debtor or any obligation constituting Property.
- C. file proofs of claim or similar documents in the event of bankruptcy, insolvency or death of any person obligated as an Account Debtor.
- D. compromise, release, extend, or exchange any indebtedness of an Account Debtor.
- E. take control of any proceeds of the Account Debtors' obligations and any returned or repossessed goods.
- F. endorse all payments or any Account Debtor which may come into your possession as payable to me.
- G. deal in all respects as the holder and owner of the Account Debtors' obligations.

8. **AUTHORITY TO PERFORM.** I authorize you to do anything you deem reasonably necessary to protect the Property, and perfect and continue your security interest in the Property. If I fail to perform any of my duties under this Agreement or any other security interest, you are authorized to perform the duties or cause them to be performed.

These authorizations include, but are not limited to, permission to:

- A. pay and discharge taxes, liens, security interests or other encumbrances at any time levied or placed on the Property.
- B. pay any rents or other charges under any lease affecting the Property.
- C. order and pay for the repair, maintenance and preservation of the Property.
- D. sign, when permitted by law, and file any financing statements on my behalf and pay for filing and recording fees pertaining to the Property.
- E. place a note on any chattel paper indicating your interest in the Property.
- F. take any action you feel necessary to realize on the Property, including performing any part of a contract or endorsing it in my name.
- G. handle any suits or other proceedings involving the Property in my name.
- H. prepare, file, and sign my name to any necessary reports or accountings.

I. make an entry on my books and records showing the existence of this Agreement.

J. notify any Account Debtor of your interest in the Property and tell the Account Debtor to make payments to you or someone else you name.

If you perform for me, you will use reasonable care. Reasonable care will not include: any steps necessary to preserve rights against prior parties; the duty to send notices, perform services or take any other action in connection with the management of the Property; or the duty to protect, preserve or maintain any security interest given to others by me or other parties. Your authorization to perform for me will not create an obligation to perform and your failure to perform will not preclude you from exercising any other rights under the law or this Agreement.

If you come into actual or constructive possession of the Property, you will preserve and protect the Property. For purposes of this paragraph, you will be in actual possession of the Property only when you have physical, immediate and exclusive control over the Property and you have affirmatively accepted that control. You will be in constructive possession of the Property only when you have both the power and the intent to exercise control over the Property.

9. PURCHASE MONEY SECURITY INTEREST. This Agreement creates a Purchase Money Security Interest to the extent you are making advances or giving value to me to acquire rights in or the use of collateral and I in fact use the value given for that purpose. Purchase Money Loan means any loan or advance used to acquire rights in or the use of any Property. The portion of the Property purchased with loan proceeds will remain subject to the Purchase Money Security Interest until the Secured Debts are paid in full. I authorize you, at your option, to disburse the loan proceeds directly to the seller of the Property. Payments on any non-Purchase Money Loan also secured by this Agreement will not be applied to the Purchase Money Loan. Payments on the Purchase Money Loan will be applied first to the non-purchase money portion of the loan, if any, and then to the purchase money portion in the order in which the purchase money Property was acquired. If the purchase money Property was acquired at the same time, then payments will be applied in the order you select. No security interest will be terminated by application of this formula.

10. DEFAULT. I will be in default if any of the following occur:

A. Payments. I fail to make a payment in full when due.

B. Insolvency. I make an assignment for the benefit of creditors or become insolvent, either because my liabilities exceed my assets or I am unable to pay my debts as they become due.

C. Death or Incompetency. I die or am declared legally incompetent.

D. Failure to Perform. I fail to perform any condition or to keep any promise or covenant of this Agreement.

E. Other Documents. A default occurs under the terms of any other transaction document.

F. Other Agreements. I am in default on any other debt or agreement I have with you.

G. Misrepresentation. I make any verbal or written statement or provide any financial information that is untrue, inaccurate, or conceals a material fact at the time it is made or provided.

H. Judgment. I fail to satisfy or appeal any judgment against me.

I. Forfeiture. The Property is used in a manner or for a purpose that threatens confiscation by a legal authority.

J. Name Change. I change my name or assume an additional name without notifying you before making such a change.

K. Property Transfer. I transfer all or a substantial part of my money or property.

L. Property Value. The value of the Property declines or is impaired.

M. Insecurity. You reasonably believe that you are insecure.

11. REMEDIES. After I default, and after you give any legally required notice and opportunity to cure the default, you may at your option do any one or more of the following:

A. Acceleration. You may make all or any part of the amount owing by the terms of the Secured Debts immediately due.

B. Sources. You may use any and all remedies you have under state or federal law or in any instrument evidencing or pertaining to the Secured Debts.

C. Insurance Benefits. You may make a claim for any and all insurance benefits or refunds that may be available on my default.

D. Payments Made On My Behalf. Amounts advanced on my behalf will be immediately due and may be added to the Secured Debts.

E. Attachment. You may attach or garnish my wages or earnings.

F. Assembly of Property. You may require me to gather the Property and make it available to you in a reasonable fashion.

G. Repossession. You may repossess the Property as long as the repossession does not involve a breach of the peace. You may sell the Property as provided by law. You may apply what you receive from the sale of the Property to your expenses, your attorneys' fees and legal expenses (where not prohibited by law), and any debt I owe you. If what you receive from the sale of the Property does not satisfy the debt, I will be liable for the deficiency (where permitted by law). In some cases, you may keep the Property to satisfy the debt.

Where a notice is required, I agree that ten days prior written notice sent by first class mail to my address listed in this Agreement will be reasonable notice to me under the Minnesota Uniform Commercial Code. If the Property is perishable or threatens to decline speedily in value, you may, without notice to me, dispose of any or all of the Property in a commercially reasonable manner at my expense following any commercially reasonable preparation or processing.

If any items not otherwise subject to this Agreement are contained in the Property when you take possession, you may hold these items for me at my risk and you will not be liable for taking possession of them.

H. Use and Operation. You may enter upon my premises and take possession of all or any part of my property for the purpose of preserving the Property or its value, so long as you do not breach the peace. You may use and operate my property for the length of time you feel is necessary to protect your interest, all without payment or compensation to me.

I. Waiver. By choosing any one or more of these remedies you do not give up your right to use any other remedy. You do not waive a default if you choose not to use a remedy. By electing not to use any remedy you do not waive your right to later consider the event a default and to use any remedies if the default continues or occurs again.

12. WAIVER OF CLAIMS. I waive all claims for loss or damage caused by your acts or omissions where you acted reasonably and in good faith.

13. PERFECTION OF SECURITY INTEREST. I authorize you to file a financing statement covering the Property. I will comply with, facilitate, and otherwise assist you in connection with obtaining perfection or control over the Property for purposes of perfecting your security interest under the Uniform Commercial Code.

I agree that a copy of this Agreement may be used as a financing statement where allowed by law. You may file of record any carbon, photographic or other reproduction of this Agreement or the financing statement. You may file a financing statement covering the Property that does not contain my signature, where permitted by law.

14. APPLICABLE LAW. This Agreement is governed by the laws of Minnesota, the United States of America and to the extent required, by the laws of the jurisdiction where the Property is located. In the event of a dispute, the exclusive forum, venue and place of jurisdiction will be in Minnesota, unless otherwise required by law.

15. JOINT AND INDIVIDUAL LIABILITY AND SUCCESSORS. Each Debtor's obligations under this Agreement are independent of the obligations of any other Debtor. You may sue each Debtor individually or together with any other Debtor. You may release any part of the Property and I will still be obligated under this Agreement for the remaining Property. The duties and benefits of this Agreement will bind and benefit the successors and assigns of you and me.


16. AMENDMENT, INTEGRATION AND SEVERABILITY. This Agreement may not be amended or modified by oral agreement. No amendment or modification of this Agreement is effective unless made in writing and executed by you and me. This Agreement is the complete and final expression of the understanding between you and me. If any provision of this Agreement is unenforceable, then the unenforceable provision will be severed and the remaining provisions will still be enforceable.


17. INTERPRETATION. Whenever used, the singular includes the plural and the plural includes the singular. The section headings are for convenience only and are not to be used to interpret or define the terms of this Agreement.

18. NOTICE, FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS. Unless otherwise required by law, any notice will be given by delivering it or mailing it by first class mail to the appropriate party's address listed in the DATE AND PARTIES section, or to any other address designated in writing. Notice to one party will be deemed to be notice to all parties. I will inform you in writing of any change in my name, address or other application information. I will provide you any financial statement or information you request. All financial statements and information I give you will be correct and complete. I agree to sign, deliver, and file any additional documents or certifications that you may consider necessary to perfect, continue, and preserve my obligations under this Agreement and to confirm your lien status on any Property. Time is of the essence.

SIGNATURES. By signing, I agree to the terms contained in this Agreement. I also acknowledge receipt of a copy of this Agreement.

DEBTOR:


Leonard E. Nau


Susan J. Nau

SECURED PARTY:

Community First National Bank


Loan Officer

(Attest)

238454

AGED

STATE OF MINNESOTA } ss
County of Jackson

I hereby certify that the within instrument was filed in County

Recorder's office for record on Oct 20, 2003at 9:40 o'clock A. M. and was dulyrecorded on Document No. 238454Betty McCannDance Spess Worthington County RecorderNo 7 Date 10-20-03Registration Tax Paid \$ 227.12B. J. Libby, Jr.
County Auditor/Treasurer**MORTGAGE**

DATE AND PARTIES. The date of this Mortgage (Security Instrument) is October 10, 2003. The parties and their addresses are:

MORTGAGOR:**LEONARD E. NAU**

84829 360th Ave

Okabena, Minnesota 56161

SUSAN J. NAU

Husband and Wife, as joint tenants

84829 360th Ave

Okabena, Minnesota 56161

LENDER:**COMMUNITY FIRST NATIONAL BANK**

Organized and existing under the laws of the United States of America

1027 4th Avenue

PO Box 699

Worthington, Minnesota 56187

1. CONVEYANCE. For good and valuable consideration, the receipt and sufficiency of which is acknowledged, and to secure the Secured Debts and Mortgagor's performance under this Security Instrument, Mortgagor grants, bargains, conveys, sells, mortgages and warrants to Lender, with the power of sale, the following described property:

See Attached Exhibit A.

The property is located in Jackson County at 35319 880th Street/84829 360th Ave, Heron Lake/Okabena, Minnesota 56137/61.

Together with all rights, easements, appurtenances, royalties, mineral rights, oil and gas rights, crops, timber, all diversion payments or third party payments made to crop producers and all existing and future improvements, structures, fixtures, and replacements that may now, or at any time in the future, be part of the



Secured Debts and all underlying agreements have been terminated in writing by Lender.

2. MAXIMUM OBLIGATION LIMIT. Notwithstanding anything to the contrary herein, enforcement of this Security Instrument is limited to a predetermined debt amount of \$98,746.95 under chapter 287 of Minnesota Statutes. This limitation does not include interest and any other amount advanced by Lender in protection of the Property or this Security Instrument, including but not limited to taxes, assessments, charges, claims, fines, impositions, insurance premiums, amounts due under prior or superior mortgages and other prior or superior liens, encumbrances and interests, legal expenses and attorneys' fees.

3. SECURED DEBTS. This Security Instrument will secure the following Secured Debts:

A. Specific Debts. The following debts and all extensions, renewals, refinancings, modifications and replacements. A promissory note, No. 4510315811, dated October 10, 2003, from Mortgagor to Lender, with a loan amount of \$98,746.95 with an interest rate of 8.75 percent per year and maturing on October 15, 2008.

B. Sums Advanced. All sums advanced and expenses incurred by Lender under the terms of this Security Instrument.

4. PAYMENTS. Mortgagor agrees that all payments under the Secured Debts will be paid when due and in accordance with the terms of the Secured Debts and this Security Instrument.

5. WARRANTY OF TITLE. Mortgagor warrants that Mortgagor is or will be lawfully seized of the estate conveyed by this Security Instrument and has the right to grant, bargain, convey, sell, and mortgage, with the power of sale, the Property. Mortgagor also warrants that the Property is unencumbered, except for encumbrances of record.

6. PRIOR SECURITY INTERESTS. With regard to any other mortgage, deed of trust, security agreement or other lien document that created a prior security interest or encumbrance on the Property, Mortgagor agrees:

A. To make all payments when due and to perform or comply with all covenants.

B. To promptly deliver to Lender any notices that Mortgagor receives from the holder.

C. Not to allow any modification or extension of, nor to request any future advances under any note or agreement secured by the lien document without Lender's prior written consent.

7. CLAIMS AGAINST TITLE. Mortgagor will pay all taxes, assessments, liens, encumbrances, lease payments, ground rents, utilities, and other charges relating to the Property when due. Lender may require Mortgagor to provide to Lender copies of all notices that such amounts are due and the receipts evidencing Mortgagor's payment. Mortgagor will defend title to the Property against any claims that would impair the lien of this Security Instrument. Mortgagor agrees to assign to Lender, as requested by Lender, any rights, claims or defenses Mortgagor may have against parties who supply labor or materials to maintain or improve the Property.

8. DUE ON SALE. Lender may, at its option, declare the entire balance of the Secured Debts to be immediately due and payable upon the creation of, or contract for the creation of, a transfer or sale of the Property. This right is subject to the restrictions imposed by federal law governing the preemption of state due-on-sale laws, as applicable.

9. WARRANTIES AND REPRESENTATIONS. Mortgagor has the right and authority to enter into this Security Instrument. The execution and delivery of this Security Instrument will not violate any agreement governing Mortgagor or to which Mortgagor is a party.

10. PROPERTY CONDITION, ALTERATIONS AND INSPECTION. Mortgagor will keep the Property in good condition and make all repairs that are reasonably necessary. Mortgagor will not commit or allow any waste, impairment, or deterioration of the Property. Mortgagor will keep the Property free of noxious weeds and grasses. Mortgagor agrees that the nature of the occupancy and use will not substantially change without Lender's prior written consent. Mortgagor will not permit any change in any license, restrictive covenant or easement without Lender's prior written consent. Mortgagor will notify Lender of all demands, proceedings, claims, and actions against Mortgagor, and of any loss or damage to the Property.

No portion of the Property will be removed, demolished or materially altered without Lender's prior written consent except that Mortgagor has the right to remove items of personal property comprising a part of the

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property, is replaced with other personal property at least equal in value to the replaced personal property, free from any title retention device, security agreement or other encumbrance. Such replacement of personal property will be deemed subject to the security interest created by this Security Instrument. Mortgagor will not partition or subdivide the Property without Lender's prior written consent.

Lender or Lender's agents may, at Lender's option, enter the Property at any reasonable time for the purpose of inspecting the Property. Lender will give Mortgagor notice at the time of or before an inspection specifying a reasonable purpose for the inspection. Any inspection of the Property will be entirely for Lender's benefit and Mortgagor will in no way rely on Lender's inspection.

11. AUTHORITY TO PERFORM. If Mortgagor fails to perform any duty or any of the covenants contained in this Security Instrument, Lender may perform or cause them to be performed. Mortgagor appoints Lender as attorney in fact to sign Mortgagor's name or pay any amount necessary for performance. Lender's right to perform for Mortgagor will not create an obligation to perform, and Lender's failure to perform will not preclude Lender from exercising any of Lender's other rights under the law or this Security Instrument. If any construction on the Property is discontinued or not carried on in a reasonable manner, Lender may take all steps necessary to protect Lender's security interest in the Property, including completion of the construction.

12. ASSIGNMENT OF LEASES AND RENTS. Mortgagor assigns, grants, bargains, conveys, mortgages and warrants to Lender as additional security all the right, title and interest in the following (all referred to as Property).

A. Existing or future leases, subleases, licenses, guaranties and any other written or verbal agreements for the use and occupancy of the non-homestead portion of the Property, including any extensions, renewals, modifications or replacements (all referred to as Leases).

B. Rents, issues and profits (all referred to as Rents), including but not limited to security deposits, minimum rent, percentage rent, additional rent, common area maintenance charges, parking charges, real estate taxes, other applicable taxes, insurance premium contributions, liquidated damages following default, cancellation premiums, "loss of rents" insurance, guest receipts, revenues, royalties, proceeds, bonuses, accounts, contract rights, general intangibles, and all rights and claims which Assignor may have that in any way pertain to or are on account of the use or occupancy of the whole or any part of the Property.

In the event any item listed as Leases or Rents is determined to be personal property, this Assignment will also be regarded as a security agreement. Mortgagor will promptly provide Lender with copies of the Leases and will certify these Leases are true and correct copies. The existing Leases will be provided on execution of the Assignment, and all future Leases and any other information with respect to these Leases will be provided immediately after they are executed. Mortgagor may collect, receive, enjoy and use the Rents so long as Mortgagor is not in default. Mortgagor will not collect in advance any Rents due in future lease periods, unless Mortgagor first obtains Lender's written consent. Upon default, Mortgagor will receive any Rents in trust for Lender and Mortgagor will not commingle the Rents with any other funds. When Lender so directs, Mortgagor will endorse and deliver any payments of Rents from the Property to Lender. Amounts collected will be applied first as set forth at Minn. Stat. Ann. § 576.01, Subdivision 2, and then at Lender's discretion to the Secured Debts, the costs of managing, protecting and preserving the Property, and other necessary expenses. Mortgagor agrees that this Security Instrument is immediately effective between Mortgagor and Lender and effective as to third parties on the recording of this Assignment. As long as this Assignment is in effect, Mortgagor warrants and represents that no default exists under the Leases, and the parties subject to the Leases have not violated any applicable law on leases, licenses and landlords and tenants. Mortgagor, at its sole cost and expense, will keep, observe and perform, and require all other parties to the Leases to comply with the Leases and any applicable law. If Mortgagor or any party to the Lease defaults or fails to observe any applicable law, Mortgagor will promptly notify Lender. If Mortgagor neglects or refuses to enforce compliance with the terms of the Leases, then Lender may, at Lender's option, enforce compliance. Mortgagor will not sublet, modify, extend, cancel, or otherwise alter the Leases, or accept the surrender of the Property covered by the Leases (unless the Leases so required) without Lender's consent. Mortgagor will not assign, compromise, subordinate or encumber the Leases and Rents without Lender's prior written consent. Lender does not assume or become liable for the Property's maintenance, depreciation, or other losses or damages when Lender acts to manage, protect or preserve the Property, except for losses and damages due to Lender's gross negligence or intentional torts. Otherwise, Mortgagor will indemnify Lender and hold Lender harmless for all liability, loss or damage that Lender may incur when Lender opts to exercise any of its remedies against any party obligated under the Leases. This Security Instrument applies when, as additional security for the debt

...secured an original principal debt of \$100,000 or more or is a lien upon residential real estate containing more than four dwelling units, and is not a lien upon Property which is entirely homesteaded as agricultural property or residential real estate containing four or fewer dwelling units where at least one of the units is homesteaded. This Security Instrument may only be enforced against the non-homestead portion of the assigned Property.

13. DEFAULT. Mortgagor will be in default if any of the following occur:

- A. Payments.** Mortgagor fails to make a payment in full when due.
- B. Insolvency.** Mortgagor makes an assignment for the benefit of creditors or becomes insolvent, either because Mortgagor's liabilities exceed Mortgagor's assets or Mortgagor is unable to pay Mortgagor's debts as they become due.
- C. Death or Incompetency.** Mortgagor dies or is declared legally incompetent.
- D. Failure to Perform.** Mortgagor fails to perform any condition or to keep any promise or covenant of this Security Instrument.
- E. Other Documents.** A default occurs under the terms of any other transaction document.
- F. Other Agreements.** Mortgagor is in default on any other debt or agreement Mortgagor has with Lender.
- G. Misrepresentation.** Mortgagor makes any verbal or written statement or provides any financial information that is untrue, inaccurate, or conceals a material fact at the time it is made or provided.
- H. Judgment.** Mortgagor fails to satisfy or appeal any judgment against Mortgagor.
- I. Forfeiture.** The Property is used in a manner or for a purpose that threatens confiscation by a legal authority.
- J. Name Change.** Mortgagor changes Mortgagor's name or assumes an additional name without notifying Lender before making such a change.
- K. Property Transfer.** Mortgagor transfers all or a substantial part of Mortgagor's money or property. This condition of default, as it relates to the transfer of the Property, is subject to the restrictions contained in the DUE ON SALE section.
- L. Property Value.** The value of the Property declines or is impaired.
- M. Insecurity.** Lender reasonably believes that Lender is insecure.

14. REMEDIES. Lender may use any and all remedies Lender has under state or federal law or in any instrument evidencing or pertaining to the Secured Debts, including, without limitation, the power to sell the Property. Any amounts advanced on Mortgagor's behalf will be immediately due and may be added to the balance owing under the Secured Debts. Lender may make a claim for any and all insurance benefits or refunds that may be available on Mortgagor's default.

Subject to any right to cure, required time schedules or any other notice rights Mortgagor may have under federal and state law, Lender may make all or any part of the amount owing by the terms of the Secured Debts immediately due and foreclose this Security Instrument in a manner provided by law upon the occurrence of a default or anytime thereafter.

Upon default, Lender will have the right, without declaring the whole indebtedness due and payable, to foreclose against all or any part of the Property. This lien will continue as a lien on any part of the Property not sold on foreclosure. If there is a default, Lender may, in addition to any other permitted remedy, advertise and sell the Property as a whole or in separate parcels at public auction to the highest bidder for cash and convey all right, title and interest of Mortgagor at such time and place as Lender designates. If Lender invokes the power of sale, Lender will give notice of the sale including the time, terms and place of sale and a description of the property to be sold as required by the applicable law in effect at the time of the proposed sale.

Lender will apply the proceeds of the sale in the following order: (a) to all expenses of exercising the sale, including but not limited to, reasonable attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it. Lender or its designee may purchase the Property. If the Property is sold pursuant to this section, Mortgagor, or any person holding possession of the Property through Mortgagor, will immediately surrender possession of the Property to the purchaser at the sale. If possession is not surrendered, Mortgagor or such person will be a tenant holding over and may be dispossessed in accordance with applicable law.

Upon any sale of the Property, Lender will make and deliver a special or limited warranty deed that conveys the property sold to the purchaser or purchasers. Under this special or limited warranty deed, Lender will covenant that Lender has not caused or allowed a lien or an encumbrance to burden the Property and that Lender will specially warrant and defend the Property's title of the purchaser or purchasers at the sale against all lawful claims and demand of all persons claiming by, through or under Lender. The recitals in any deed of conveyance will be prima facie evidence of the facts set forth therein.

All remedies are distinct, cumulative and not exclusive, and the Lender is entitled to all remedies provided at law or equity, whether or not expressly set forth. The acceptance by Lender of any sum in payment or partial payment on the Secured Debts after the balance is due or is accelerated or after foreclosure proceedings are filed will not constitute a waiver of Lender's right to require full and complete cure of any existing default. By not exercising any remedy, Lender does not waive Lender's right to later consider the event a default if it continues or happens again.

15. COLLECTION EXPENSES AND ATTORNEYS' FEES. On or after Default, to the extent permitted by law, Mortgagor agrees to pay all expenses of collection, enforcement or protection of Lender's rights and remedies under this Security Instrument. Mortgagor agrees to pay expenses for Lender to inspect and preserve the Property and for any recordation costs of releasing the Property from this Security Instrument. Expenses include, but are not limited to, attorneys' fees, court costs and other legal expenses. These expenses are due and payable immediately. If not paid immediately, these expenses will bear interest from the date of payment until paid in full at the highest interest rate in effect as provided for in the terms of the Secured Debts. To the extent permitted by the United States Bankruptcy Code, Mortgagor agrees to pay the reasonable attorneys' fees Lender incurs to collect the Secured Debts as awarded by any court exercising jurisdiction under the Bankruptcy Code.

16. ENVIRONMENTAL LAWS AND HAZARDOUS SUBSTANCES. As used in this section, (1) Environmental Law means, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), all other federal, state and local laws, regulations, ordinances, court orders, attorney general opinions or interpretive letters concerning the public health, safety, welfare, environment or a hazardous substance; and (2) Hazardous Substance means any toxic, radioactive or hazardous material, waste, pollutant or contaminant which has characteristics which render the substance dangerous or potentially dangerous to the public health, safety, welfare or environment. The term includes, without limitation, any substances defined as "hazardous material," "toxic substance," "hazardous waste," "hazardous substance," or "regulated substance" under any Environmental Law.

Mortgagor represents, warrants and agrees that:

- A. Except as previously disclosed and acknowledged in writing to Lender, no Hazardous Substance has been, is, or will be located, transported, manufactured, treated, refined, or handled by any person on, under or about the Property, except in the ordinary course of business and in strict compliance with all applicable Environmental Law.
- B. Except as previously disclosed and acknowledged in writing to Lender, Mortgagor has not and will not cause, contribute to, or permit the release of any Hazardous Substance on the Property.
- C. Mortgagor will immediately notify Lender if (1) a release or threatened release of Hazardous Substance occurs on, under or about the Property or migrates or threatens to migrate from nearby property; or (2) there is a violation of any Environmental Law concerning the Property. In such an event, Mortgagor will take all necessary remedial action in accordance with Environmental Law.
- D. Except as previously disclosed and acknowledged in writing to Lender, Mortgagor has no knowledge of or reason to believe there is any pending or threatened investigation, claim, or proceeding of any kind relating to (1) any Hazardous Substance located on, under or about the Property; or (2) any violation by Mortgagor or any tenant of any Environmental Law. Mortgagor will immediately notify Lender in writing as soon as Mortgagor has reason to believe there is any such pending or threatened investigation, claim, or proceeding. In such an event, Lender has the right, but not the obligation, to participate in any such proceeding including the right to receive copies of any documents relating to such proceedings.
- E. Except as previously disclosed and acknowledged in writing to Lender, Mortgagor and every tenant have been, are and will remain in full compliance with any applicable Environmental Law.

... except as previously disclosed and acknowledged in writing to Lender, there are no underground storage tanks, private dumps or open wells located on or under the Property and no such tank, dump or well will be added unless Lender first consents in writing.

G. Mortgagor will regularly inspect the Property, monitor the activities and operations on the Property, and confirm that all permits, licenses or approvals required by any applicable Environmental Law are obtained and complied with.

H. Mortgagor will permit, or cause any tenant to permit, Lender or Lender's agent to enter and inspect the Property and review all records at any reasonable time to determine (1) the existence, location and nature of any Hazardous Substance on, under or about the Property; (2) the existence, location, nature, and magnitude of any Hazardous Substance that has been released on, under or about the Property; or (3) whether or not Mortgagor and any tenant are in compliance with applicable Environmental Law.

I. Upon Lender's request and at any time, Mortgagor agrees, at Mortgagor's expense, to engage a qualified environmental engineer to prepare an environmental audit of the Property and to submit the results of such audit to Lender. The choice of the environmental engineer who will perform such audit is subject to Lender's approval.

J. Lender has the right, but not the obligation, to perform any of Mortgagor's obligations under this section at Mortgagor's expense.

K. As a consequence of any breach of any representation, warranty or promise made in this section, (1) Mortgagor will indemnify and hold Lender and Lender's successors or assigns harmless from and against all losses, claims, demands, liabilities, damages, cleanup, response and remediation costs, penalties and expenses, including without limitation all costs of litigation and attorneys' fees, which Lender and Lender's successors or assigns may sustain; and (2) at Lender's discretion, Lender may release this Security Instrument and in return Mortgagor will provide Lender with collateral of at least equal value to the Property secured by this Security Instrument without prejudice to any of Lender's rights under this Security Instrument.

L. Notwithstanding any of the language contained in this Security Instrument to the contrary, the terms of this section will survive any foreclosure or satisfaction of this Security Instrument regardless of any passage of title to Lender or any disposition by Lender of any or all of the Property. Any claims and defenses to the contrary are hereby waived.

17. CONDEMNATION. Mortgagor will give Lender prompt notice of any pending or threatened action by private or public entities to purchase or take any or all of the Property through condemnation, eminent domain, or any other means. Mortgagor authorizes Lender to intervene in Mortgagor's name in any of the above described actions or claims. Mortgagor assigns to Lender the proceeds of any award or claim for damages connected with a condemnation or other taking of all or any part of the Property. Such proceeds will be considered payments and will be applied as provided in this Security Instrument. This assignment of proceeds is subject to the terms of any prior mortgage, deed of trust, security agreement or other lien document.

18. INSURANCE. Mortgagor agrees to keep the Property insured against the risks reasonably associated with the Property. Mortgagor will maintain this insurance in the amounts Lender requires. This insurance will last until the Property is released from this Security Instrument. What Lender requires pursuant to the preceding sentences can change during the term of the Secured Debts. Mortgagor may choose the insurance company, subject to Lender's approval, which will not be unreasonably withheld.

All insurance policies and renewals will include a standard "mortgage clause" and, where applicable, "loss payee clause." If required by Lender, Mortgagor agrees to maintain comprehensive general liability insurance and rental loss or business interruption insurance in amounts and under policies acceptable to Lender. The comprehensive general liability insurance must name Lender as an additional insured. The rental loss or business interruption insurance must be in an amount equal to at least coverage of one year's debt service, and required escrow account deposits (if agreed to separately in writing.)

Mortgagor will give Lender and the insurance company immediate notice of any loss. All insurance proceeds will be applied to restoration or repair of the Property or to the Secured Debts, at Lender's option. If Lender acquires the Property in damaged condition, Mortgagor's rights to any insurance policies and proceeds will pass to Lender to the extent of the Secured Debts.

Mortgagor will immediately notify Lender of cancellation or termination of insurance. If Mortgagor fails to keep the Property insured Lender may obtain insurance to protect Lender's interest in the Property. This insurance

Mortgagor would choose, and may be written at a higher rate than Mortgagor could obtain if Mortgagor purchased the insurance.

19. ESCROW FOR TAXES AND INSURANCE. Mortgagor will not be required to pay to Lender funds for taxes and insurance in escrow.

20. CO-SIGNERS. If Mortgagor signs this Security Instrument but does not sign the Secured Debts, Mortgagor does so only to mortgage Mortgagor's interest in the Property to secure payment of the Secured Debts and Mortgagor does not agree to be personally liable on the Secured Debts. If this Security Instrument secures a guaranty between Lender and Mortgagor, Mortgagor agrees to waive any rights that may prevent Lender from bringing any action or claim against Mortgagor or any party indebted under the obligation. These rights may include, but are not limited to, any anti-deficiency or one-action laws.

21. WAIVERS. Except to the extent prohibited by law, Mortgagor waives all homestead exemption rights relating to the Property.

22. FIXTURE FILING. Mortgagor gives to Lender a security interest in all goods that Mortgagor owns now or in the future and that are or will become fixtures related to the Property.

23. APPLICABLE LAW. This Security Instrument is governed by the laws of Minnesota, except to the extent otherwise required by the laws of the jurisdiction where the Property is located, and the United States of America.

24. JOINT AND INDIVIDUAL LIABILITY AND SUCCESSORS. Each Mortgagor's obligations under this Security Instrument are independent of the obligations of any other Mortgagor. Lender may sue each Mortgagor individually or together with any other Mortgagor. Lender may release any part of the Property and Mortgagor will still be obligated under this Security Instrument for the remaining Property. The duties and benefits of this Security Instrument will bind and benefit the successors and assigns of Lender and Mortgagor.

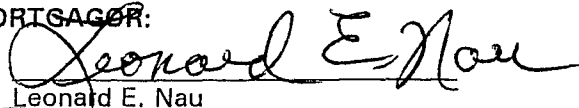
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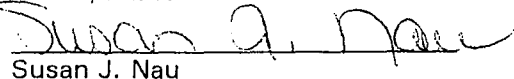
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27. NOTICE, FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS. Unless otherwise required by law, any notice will be given by delivering it or mailing it by first class mail to the appropriate party's address listed in the DATE AND PARTIES section, or to any other address designated in writing. Notice to one party will be deemed to be notice to all parties. Mortgagor will inform Lender in writing of any change in Mortgagor's name, address or other application information. Mortgagor will provide Lender any financial statements or information Lender requests. All financial statements and information Mortgagor gives Lender will be correct and complete. Mortgagor agrees to sign, deliver, and file any additional documents or certifications that Lender may consider necessary to perfect, continue, and preserve Mortgagor's obligations under this Security Instrument and to confirm Lender's lien status on any Property. Time is of the essence.

SIGNATURES. By signing, Mortgagor agrees to the terms and covenants contained in this Security Instrument. Mortgagor also acknowledges receipt of a copy of this Security Instrument.

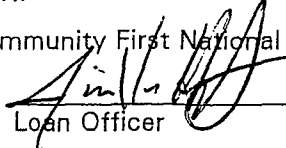
MORTGAGOR:


Leonard E. Nau


Susan J. Nau

LENDER:

Community First National Bank


Loan Officer

(Attest)

ACKNOWLEDGMENT.

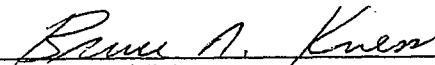
(Individual)

STATE OF MINNESOTA, COUNTY OF NOBLES ss.

This instrument was acknowledged before me this 10th day of October, 2003
by Leonard E. Nau, and Susan J. Nau, Husband and Wife, as joint tenants.

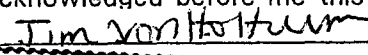


My commission expires:
NOTARY PUBLIC - MINNESOTA
My Commission Expires 1-31-2005


(Notary Public)

(Lender Acknowledgment)

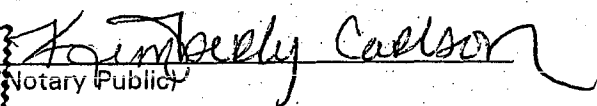
STATE OF MINNESOTA, COUNTY OF NOBLES ss.

This instrument was acknowledged before me this 10th day of October, 2003
by Loan Officer as  of Community First National Bank.

My commission expires:



KIMBERLY JEAN CARLSON
NOTARY PUBLIC - MINNESOTA
My Commission Expires 1-31-2007


(Notary Public)

This instrument was drafted by Community First National Bank, 1027 Fourth Avenue, Worthington, Minnesota 56187

described as follows: Commencing at a point on the East section line 1320 feet North of the Southeast Corner of the said NE $\frac{1}{4}$ as the point of beginning; thence 706 feet North on the East section line; thence West and parallel with the South line of said NE $\frac{1}{4}$ a distance of 533 feet; thence South and parallel with the East section line a distance of 546 feet; thence East and parallel with the South line of said NE $\frac{1}{4}$ a distance of 49 feet; thence South and parallel to the East section line a distance of 160 feet; thence East and parallel with the South line of said NE $\frac{1}{4}$ a distance of 484 feet to the point of beginning. 01.023.0200 5-337 pt NE⁴NE⁴

PARCEL B:

✓ Commencing at the certain iron stake, the location of which is ascertained as follows: Commencing at the Southwest corner of Section Thirty-Five (35), in Township One Hundred Four (104) North, Range Thirty-eight (38), West of the Fifth Principal Meridian, thence Southerly along the section line between Sections 2 and 3 of Township 103, Range 38 to the center of the railroad track of the Chicago, Milwaukee and Omaha Railroad, a distance of 283 feet 5 inches, thence Northeasterly along the center of said railroad track a distance of 1,015 feet 2 inches, thence Southeasterly at a right angle to the fence line along the Southeast side of said railroad property a distance of 49 feet 7 inches, to said iron stake of 1" X 1" X 18 inches; Starting from said described iron stake thence Northeasterly along the Southeast side of said railroad property a distance of 330 feet, thence Northeasterly along the South side of the site formerly leased from said railroad company by the grantee herein a distance of 155 feet, thence Northerly along the East side of said formerly leased site to the West side of Jackson County Highway property line, a distance of 40 feet, thence South and Southeasterly along the West side of said Jackson County Highway property a distance of 219 feet to a point marked with a 1" X 1" X 18 inch iron stake on the Southwest side of said County Highway property, said iron stake being tied with measurements as follows: (Northeasterly to Government Elevation Monument Marker 512, distance from stake 363 feet 1 inch and Northwesterly to Center of Chicago, St. Paul, Milwaukee and Omaha Railroad track 241 feet 1 inch, and 300 feet Northeasterly along center of railroad track to the intersection center of the two railroads), thence Southwesterly from said iron stake a distance of 617 feet 3 inches to the place of commencement, comprising a measured area of 1.06 acres, all lying and being in the Southwest Quarter of Section 35 in Township 104, Range 38. 11.035.0900 4-387 pt Sw⁴Sw⁴
Containing approximately 1 acre.

**UCC FINANCING STATEMENT
FOLLOW INSTRUCTIONS (Print and Check) CAREFULLY**

1. NAME OF PARTY OF CONTACT (Print and Check) Phone (800) 37-5464 Fax (612) 643-3341	
2. SEND ACKNOWLEDGMENT TO, PRINT AND CHECK	511458 (COMMUNITY)
UCC Direct Services P.O. Box 20971 Glendale, CA 91208-1071	
5986511 MNMN	

Filing NO: 20039155584
Filing Date: 2003/10/20
Filing Time: 5:00 PM
State of Minnesota
Processing Office: Secretary of State
Filed by: patjett

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

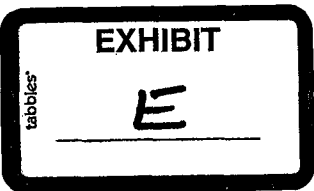
1. DEBTOR'S EXACT FULL LEGAL NAME (Print only; send creditor name (7b or 7c) - do not abbreviate or condense names)					
1a. ORGANIZATION'S NAME					
OR					
1b. INDIVIDUAL'S LAST NAME		1c. FIRST NAME		1d. MIDDLE NAME	
Nau		Leonard		E.	
1e. MAILING ADDRESS 84828 380th Ave		1f. CITY Oriskany		1g. STATE MN	1h. POSTAL CODE 55101
1i. TAX ID# (SIN OR EIN) 475-84-2517		1j. TYPE OF ORGANIZATION		1k. JURISDICTION OF ORGANIZATION	
1l. INDIVIDUAL'S ORGANIZATION POSITION		1m. ORGANIZATION'S TYPE		1n. ORGANIZATION'S TYPE	
2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME (Print only; send creditor name (7b or 7c) - do not abbreviate or condense names)					
2a. ORGANIZATION'S NAME					
OR					
2b. INDIVIDUAL'S LAST NAME		2c. FIRST NAME		2d. MIDDLE NAME	
Nau		Bauer		J.	
2e. MAILING ADDRESS 84828 380th Ave		2f. CITY Oriskany		2g. STATE MN	2h. POSTAL CODE 55101
2i. TAX ID# (SIN OR EIN) 475-84-2517		2j. TYPE OF ORGANIZATION		2k. JURISDICTION OF ORGANIZATION	
2l. INDIVIDUAL'S ORGANIZATION POSITION		2m. ORGANIZATION'S TYPE		2n. ORGANIZATION'S TYPE	
3. CREDIT PARTY'S NAME (Print and Check)					
3a. ORGANIZATION'S NAME Community First National Bank					
OR					
3b. INDIVIDUAL'S LAST NAME		3c. FIRST NAME		3d. MIDDLE NAME	
NO Box 6000		Fargo		ND	
3e. MAILING ADDRESS		3f. CITY		3g. STATE	3h. POSTAL CODE
NO Box 6000		Fargo		ND	58104

4. THE FINANCING STATEMENT covers the following:

ALL OF THE FOLLOWING WHICH DEBTOR OWNS NOW OR IN THE FUTURE, TOGETHER WITH ALL PARTS, ACCESSORIES, REPAIRS, REPLACEMENTS, IMPROVEMENTS, AND ADDITIONS, AND WHEREVER LOCATED: INVENTORY: ALL INVENTORY HELD FOR ULTIMATE SALE OR LEASE, OR WHICH HAS BEEN OR WILL BE SUPPLIED UNDER CONTRACTS OF SERVICE, OR WHICH ARE RAW MATERIALS, WORK IN PROCESS, OR MATERIALS USED OR CONSUMED IN DEBTOR'S BUSINESS; EQUIPMENT: ALL EQUIPMENT INCLUDING, BUT NOT LIMITED TO, MACHINERY, VEHICLES, FURNITURE, FIXTURES, MANUFACTURING EQUIPMENT, FARM MACHINERY AND EQUIPMENT, SHOP EQUIPMENT, OFFICE AND RECORD KEEPING EQUIPMENT, PARTS, AND TOOLS; THE PROPERTY INCLUDES ANY EQUIPMENT DESCRIBED IN A LIST OR SCHEDULE DEBTOR GRANTS TO SECURED PARTY, BUT SUCH A LIST IS NOT NECESSARY TO CREATE OR PERFECT A VALID SECURITY INTEREST IN ALL OF DEBTOR'S EQUIPMENT, ACCOUNTS AND OTHER RIGHTS TO PAYMENT, ALL RIGHTS TO PAYMENTS, WHETHER OR NOT EARNED BY PERFORMANCE, INCLUDING, BUT NOT LIMITED TO, PAYMENT FOR PROPERTY OR SERVICES SOLD, LEASED, RENTED, LICENSED, OR ASSIGNED, THIS INCLUDES ANY RIGHTS AND INTERESTS (INCLUDING ALL LIENS) WHICH DEBTOR MAY HAVE BY LAW OR AGREEMENT AGAINST ANY ACCOUNT DEBTOR OR DEBTOR OF DEBTOR; GENERAL INTANGIBLES: ALL GENERAL INTANGIBLES INCLUDING, BUT NOT LIMITED TO, TAX REFUNDS, PATENTS AND APPLICATIONS FOR PATENTS, COPYRIGHTS, TRADEMARKS, TRADE SECRETS, GOODWILL, TRADE NAMES, CUSTOMER LISTS, PERMITS AND FRANCHISES, PAYMENT INTANGIBLES, COMPUTER PROGRAMS AND ALL SUPPORTING INFORMATION PROVIDED IN CONNECTION WITH A TRANSACTION RELATING TO COMPUTER PROGRAMS, AND THE RIGHT TO USE DEBTOR'S NAME, INSTRUMENTS AND CHATTEL PAPER, ALL INSTRUMENTS, INCLUDING NEGOTIABLE INSTRUMENTS AND PROMISSORY NOTES AND ANY OTHER WRITINGS OR RECORDS THAT EVIDENCE THE RIGHT TO PAYMENT OF A MONETARY OBLIGATION, AND TANGIBLE AND ELECTRONIC CHATTEL PAPER.

1. AS TURNATIVE DEBTOR'S NAME (Print and Check)	2. CREDIT PARTY'S NAME (Print and Check)	3. CREDIT PARTY'S NAME (Print and Check)	4. CREDIT PARTY'S NAME (Print and Check)	5. CREDIT PARTY'S NAME (Print and Check)	6. CREDIT PARTY'S NAME (Print and Check)	7. CREDIT PARTY'S NAME (Print and Check)	8. CREDIT PARTY'S NAME (Print and Check)	9. CREDIT PARTY'S NAME (Print and Check)	10. CREDIT PARTY'S NAME (Print and Check)
11. CREDIT PARTY'S NAME (Print and Check)	12. CREDIT PARTY'S NAME (Print and Check)	13. CREDIT PARTY'S NAME (Print and Check)	14. CREDIT PARTY'S NAME (Print and Check)	15. CREDIT PARTY'S NAME (Print and Check)	16. CREDIT PARTY'S NAME (Print and Check)	17. CREDIT PARTY'S NAME (Print and Check)	18. CREDIT PARTY'S NAME (Print and Check)	19. CREDIT PARTY'S NAME (Print and Check)	20. CREDIT PARTY'S NAME (Print and Check)

PLANO OFFICE COPY, NATIONAL UCC FINANCING STATEMENT (FORM UCC-1) (REV. 07/2000)



UCC FINANCING STATEMENT
 FOLLOW INSTRUCTIONS (A) and (B) CAREFULLY

FOR FILER PHONE OF CONTACT (FILER NUMBER) (Area Code) (Number) 511456 1000000000	
311456 1000000000	
UCC Direct Services P.O. Box 20071 Glendale, CA 91208-0071	
5974815 MNMN	

Filing NO: 20039244963
 Filing Date: 2003/10/28
 Filing Time: 5:00 PM
 State of Minnesota
 Processing Office: Secretary of State
 Filed by: achua01

1. DEBTOR'S EXACT FULL LEGAL NAME (NAME) (If individual, LAST NAME, FIRST NAME, MIDDLE NAME) NAJ		2. CREDITORS EXACT FULL LEGAL NAME (NAME) (If individual, LAST NAME, FIRST NAME, MIDDLE NAME) NAJ	
3. DEBTOR'S ADDRESS 800 20 300TH AVE CITY OKABEMA STATE MN POSTAL CODE 56161 COUNTRY		4. CREDITORS ADDRESS 800 20 300TH AVE CITY OKABEMA STATE MN POSTAL CODE 56161 COUNTRY	
5. DEBTOR'S BUSINESS OR ORGANIZATION 475-04-4517 ADDITIONAL INFORMATION (NAME) COMMUNITY FIRST NATIONAL BANK		6. CREDITORS BUSINESS OR ORGANIZATION 475-04-4517 ADDITIONAL INFORMATION (NAME) COMMUNITY FIRST NATIONAL BANK	
7. DEBTOR'S BUSINESS OR ORGANIZATION 475-04-4517 ADDITIONAL INFORMATION (NAME) COMMUNITY FIRST NATIONAL BANK		8. CREDITORS BUSINESS OR ORGANIZATION 475-04-4517 ADDITIONAL INFORMATION (NAME) COMMUNITY FIRST NATIONAL BANK	

ALL OF THE FOLLOWING WHICH DEBTOR OWNS NOW, OR IN THE FUTURE, TOGETHER WITH ALL PARTS, ACCESSORIES, REPAIRS, REPLACEMENTS, IMPROVEMENTS, AND ACCESSORIES, AND OR REPAIRS LOCATED INVENTORY: All inventory held for ultimate sale or lease, or which has been or will be supplied under contracts of service, or which are materials, work in process, or materials used or consumed in Debtors business. EQUIPMENT: All equipment included, but not limited to, machinery, vehicles, furniture, fixtures, manufactured equipment, farm machinery and equipment, shop equipment, office and related equipment, parts, and tools. The above includes any equipment included in a bill of sale or schedule Debtors to Second Party, but such a bill is not necessary to create or perfect a valid security interest in all of Debtors' equipment. ACCOUNTS AND OTHER RIGHTS TO PAYMENT: All rights to payments, whether or not due by performance, including, but not limited to, payment for property or services sold, leased, rented, loaned, or deposited. This includes any rights in instruments (including all drafts) which Debtors may have or will have or agreement against any person's return or delivery of Debtors' GENERAL INTANGIBLES: All general intangibles including, but not limited to, trade names, patents, trademarks and service marks, trade secrets, goodwill, trade names, customer lists, permits and franchises, payment intangibles, computer programs and all supporting information provided in connection with a trademark relating to computer programs, and the right to use Debtors' name.

1. ALTERNATIVE DISSENTION (If checked)	2. LOANER PERSON	3. CO-SIGNER/CO-DEBTOR	4. BILLY/CO-DEBTOR	5. BILLY/CO-DEBTOR	6. NO SIGN	7. MULTIPLE PLANS
8. YES/NO/ALTERNATIVE (If checked)	9. YES/NO/ALTERNATIVE (If checked)	10. YES/NO/ALTERNATIVE (If checked)	11. YES/NO/ALTERNATIVE (If checked)	12. YES/NO/ALTERNATIVE (If checked)	13. YES/NO/ALTERNATIVE (If checked)	14. YES/NO/ALTERNATIVE (If checked)
511456 1000000000		47504517/BLANKET		5404		

FILING OFFICE COPY - NATIONAL UCC FINANCING STATEMENT (FORM UCC1) (REV. 01/97/98)

Printed UCC1 (Form UCC1) (REV. 01/97/98)
 Created by 01/97/98 10:00:00

MINNESOTA DEPARTMENT OF PUBLIC SAFETY
DRIVER & VEHICLE SERVICES DIVISION
445 MINNESOTA ST., ST. PAUL, MN 55101
CONFIRMATION OF LIEN PERFECTION - DEBTOR NAME AND ADDRESS

NAU LEONARD EDWARD
84829 360TH AVE
OKABENA MN 56161

4510315811

First Class
U.S. Postage
PAID
Permit No. 171
St. Paul, MN

DJD347

1ST SECURED PARTY

LIEN HOLDER

97 Year	FORD Make	PKCOF Model	J3180R485 Title NR.
1FTDF1721VKC01673 VIN		10/15/03 Security Date	MD Rebuild

RETAIN THIS DOCUMENT - See reverse
side of this form for removing this lien.

Vehicle Titles/Lien Card 010000002496924



LEONARD EDWARD NAU 4510315811

UNITY 1ST BANK
BOX 699
WINGTON MN 56187-0699

EXHIBIT

F

4510315811

MINNESOTA DEPARTMENT OF PUBLIC SAFETY
DRIVER & VEHICLE SERVICES DIVISION
45 MINNESOTA ST. ST. PAUL, MN 55101
CONFIRMATION OF LIEN PERFECTION - DEBTOR NAME AND ADDRESS

First Class
U.S. Postage
PAID
Permit No. 171
St. Paul, MN

LS HAU INC DPA
35319 880TH ST
HERON LAKE MN 56137

YM83666

84	FORD	CCMHV	C0960S132
Year	Make	Model	Title No.
1FDPF70H8EVA45706		10/13/03	NO
VIN		Security Date	Rebuilt

1ST SECURED PARTY

LIEN HOLDER

RETAIN THIS DOCUMENT - See reverse
side of this form for removing this lien.

COMMUNITY FIRST NATL BANK
BX 699
WORTHINGTON MN 56187-0699



MINNESOTA DEPARTMENT OF PUBLIC SAFETY
DRIVER & VEHICLE SERVICES DIVISION
445 MINNESOTA ST. ST. PAUL, MN 55101
CONFIRMATION OF LIEN PERFECTION - DEBTOR NAME AND ADDRESS

LS HAU INC DPA
35319 880TH ST
HERON LAKE MN 56137

4510315811

First Class
U.S. Postage

PAID

Permit No. 171
St. Paul, MN

YMB3665

92 Year	INTL Make	CC40S Model	C0960S134 Type NFI
1HTSCNMP8NH427720 VIN		10/13/03 Security Date	NO Rebuilt

1ST SECURED PARTY

LIEN HOLDER

RETAIN THIS DOCUMENT - See reverse
side of this form for removing this lien.

COMMUNITY FIRST NATL BANK
BX 699TH AVE
WORTHINGTON MN 56187



**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

IN RE:

Leonard E. Nau and Susan J. Nau,

Chapter 7
BKY 04-34106

Debtor(s).

**MEMORANDUM IN SUPPORT OF MOTION FOR RELIEF
FROM THE AUTOMATIC STAY**

Community First National Bank submits this Memorandum in support of its motion for relief from the automatic stay in the above-entitled matter.

I. FACTUAL BACKGROUND

Debtors filed their petition herein on July 14, 2004, under Chapter 7 of the Federal Bankruptcy Code. The Debtors listed on their amended petition and supporting schedules certain real property located in Jackson County, Minnesota, that is subject to a security interest held by Community First National Bank. Community First National Bank obtained its security interest in said real property through a mortgage deed conveying the property to Community First National Bank from Debtor dated October 10, 2003, and duly filed for record on October 20, 2003, as Document No. 238454 with the Jackson County Recorder. Said real property is legally described as follows:

REAL ESTATE:

Parcel 1:

That part of the Northeast Quarter (NE¼) of Section Twenty-three (23), Township One Hundred Three (103) North of Range Thirty-eight (38) West,

Jackson County, Minnesota, described as follows: Commencing at a point on the East section line 1,320.00 feet North of the Southeast corner of the Northeast Quarter (NE $\frac{1}{4}$) as the point of beginning; thence 706.00 feet North on the East Section line; thence West and parallel with the South line of said Northeast Quarter (NE $\frac{1}{4}$) a distance of 533.00 feet; thence South and parallel with the East Section line a distance of 546.00 feet; thence East parallel with the South line of said Northeast Quarter (NE $\frac{1}{4}$) a distance of 49.00 feet; thence South and parallel to the East Section line a distance of 160.00 feet; thence East and parallel with the South line of said Northeast Quarter (NE $\frac{1}{4}$) a distance of 484.00 feet to the point of beginning; and

Parcel 2:

Commencing at the certain iron stake, the location of which is ascertained as follows: Commencing at the Southwest corner of Section Thirty-five (35), in Township One Hundred Four (104) North, Range Thirty-eight (38) West of the Fifth Principal Meridian, thence southerly along the section line between Sections Two (2) and Three (3) of Township One Hundred Three (103), Range Thirty-eight (38) to the center of the railroad track of the Chicago, Milwaukee, and Omaha Railroad, a distance of 283 feet, 5 inches, thence northeasterly along the center of said railroad track a distance of 1,015 feet 2 inches, thence southeasterly at a right angle to the fence line along the Southeast side of said railroad property a distance of 49 feet 7 inches, to said iron stake of 1" X 1" X 18"; starting from said described iron stake thence northeasterly along the Southeast side of said railroad property a distance of 330.00 feet, thence northeasterly along the South side of the site formerly leased from said railroad company by the grantee herein a distance of 155.00 feet, thence northerly along the East side of said formerly leased site to the West side of Jackson County Highway property line, a distance of 40.00 feet, thence South and southeasterly along the West side of said Jackson County Highway property a distance of 219.00 feet to a point marked with a 1" X 1" X 18" iron stake on the Southwest side of said County Highway property, said iron stake being tied with measurements as follows: (northeasterly to Government Elevation Monument Marker 512, distance from stake 363 feet 1 inch and northwesterly to Center of Chicago, St. Paul, Milwaukee and Omaha Railroad track 241 feet 1 inch, and 300.00 feet northeasterly along center of railroad track to the intersection center of the two railroads), thence southwesterly from said iron stake a distance of 617 feet 3 inches to the place of commencement, comprising a measured area of 1.06 acres, all lying and being in the Southwest Quarter (SW $\frac{1}{4}$) of Section Thirty-five (35), Township One Hundred Four (104), Range Thirty-eight (38).

(the foregoing real estate is included herein within the term "Property").

The Debtors also pledged as collateral to Community First National Bank certain personal property pursuant to a security agreement dated October 10, 2003, which security

interest was perfected by the filing of one or more UCC financing statements and with Community First being listed as lienholder on titles to certain motor vehicles. The personal property in which Community First has a perfected, first priority security interest is more particularly described as follows:

PERSONAL PROPERTY:

All equipment and motor vehicles, including, without limitation, the following-described motor vehicles and the property described in the attached Exhibit A: Ford 1984 CC MHV, VIN: 1FDPF7OH8EVA45706; 1997 Ford F-K, VIN: 1FTDF1721VKC01673; and 1992 International, VIN: 1HTSCNMP8NH427720.

(The foregoing personal property is included herein within the term "Property").

Community First National Bank holds a valid, duly-perfected, security interest and lien in the Property, pursuant to its mortgage and security agreement, superior to any claims by the Debtors. The mortgage and security agreement in question provides security for an October 10, 2003, promissory note under which Debtors are obligors. A copy of the promissory note, security agreement, commercial loan agreement and mortgage are attached as exhibits to the accompanying motion.

The total amount owed under the note and secured by the mortgage and the security agreement as of the date of the hearing is \$99,855.43, which includes accrued interest through November 8, 2004. Thereafter, interest accrues on the unpaid principal balance at \$23.40 per day. The Debtors are seriously delinquent with respect to the installment payments due under the October 10, 2003, note. Debtors are presently in default on three installment payment obligations. The delinquent installment payments total \$3,109.80, with the next installment payment of \$1,036.00 is due and payable on November 15, 2004. Further, the Property is not insured by Debtors and they are in breach of the mortgage and security agreement terms which

requires the property to be insured to its full insurable value with Community First National Bank named as loss payee.

Debtors list the value of Parcel 1 at \$80,000.00, the value of the parcel according to the Jackson County Assessor. There is a first mortgage lien in said premises with a balance owing of approximately \$114,000.00 to another secured party. Movant obtained an appraisal of Parcel 1 indicating that the value of said premises is \$145,000.00. Debtor lists the value of Parcel 2 as \$0.00, and according to the records of the Jackson County Assessor, the value of the parcel is \$2,000.00. The value of Parcel 2 and its improvements is difficult to ascertain because it is a specialty use elevator property. The value of the personal property comprising the Property is estimated at \$40,000.00. Debtors have no equity in the Property.

II. GOOD CAUSE EXISTS TO GRANT THE MOVANT RELIEF FROM THE AUTOMATIC STAY.

Pursuant to § 362(d)(1) of the Bankruptcy Code, relief from the automatic stay shall be granted upon request of a secured creditor "for cause, including the lack of adequate protection of an interest in property of such [creditor]..." 11 USC § 362(d)(1).

Cause exists to grant complete relief from stay. Debtors are delinquent three installment payments under the secured note and an additional installment payment is due and payable on November 15, 2004. The note balance has been accelerated and is due and payable in full. The total principal, interest, and costs of collection to date secured by the mortgage and security agreement total \$99,855.43. The Debtors have demonstrated a clear inability to service the debt requirements of the loan. Furthermore, the amount owed to movant will increase as time goes by, and there is no debtor equity in the property sought to be recovered. In addition, the Debtors have failed to have in place hazard insurance coverage on the collateral. Debtors have not

offered any form of adequate protection to Community First National Bank as the loan balance continues to increase each day through additional interest and increased costs of collection.

In view of Debtors' clear inability to make payments towards their loan obligation, Community First National Bank's interest in the real property is not adequately protected. The continuing default by the Debtor will impair Community First National Bank's interest without adequate protection or just compensation. Any offer by Debtor of future payments does not provide adequate protection of Community First National Bank's interest and therefore, cause exists to terminate the automatic stay. Such circumstance constitutes cause within the meaning of § 362(d)(1) justifying relief from the stay. In Re: Tainan, 48 BR 250 (Bkrcty. E.D. 1985) (debtors' continued failure to maintain regular payments to secured creditors is sufficient cause to entitle a creditor to relief from stay); In Re: Quinlan, 12 BR 516 (Bkrcty. W.D. Wis. 1981); First Federal Savings & Loan Association of Minneapolis v. Whitebread, (In Re: Whitebread), 18 Bkrcty.Rep. 192 (Bkrcty. Minn. 1982).

CONCLUSION

For the reasons stated above, Community First National Bank respectfully requests an order terminating the stay imposed by 11 USC § 362(a) and authorizing it to foreclose its mortgage on the Property and exercise its rights under the security agreement with respect to the Property.

PEMBERTON, SORLIE, RUFER
& KERSHNER, P.L.L.P.

By _____/e/Kent D. Mattson
Kent D. Mattson, No. 239744
Attorneys for Community First National Bank
110 North Mill Street, P.O. Box 866
Fergus Falls, MN 56538-0866
Telephone: 218-736-5493

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

IN RE:

Leonard E. Nau and Susan J. Nau,

Chapter 7
BKY 04-34106

Debtor(s).

ORDER TERMINATING STAY

This matter came on for hearing before the undersigned Judge of the above-entitled Court, upon motion filed with the Court, on November 8, 2004, in Courtroom 228B at the United States Courthouse, 200 Warren E. Burger Federal Building, 316 North Robert Street, St. Paul, Minnesota. The movant, Community First National Bank, was represented at the hearing by Kent D. Mattson of Pemberton, Sorlie, Rufer & Kershner, P.L.L.P. Other appearances, if any, are noted on the record.

Based upon all the files and proceedings herein, and the Court having considered the arguments of counsel,

IT IS HEREBY ORDERED THAT:

1. The automatic stay imposed by 11 USC § 362 is hereby terminated as to the real property and personal property in which the Movant, its successors or assigns, has a security interest and lien, said property legally described as follows:

REAL ESTATE:

Parcel 1:

That part of the Northeast Quarter (NE¹/₄) of Section Twenty-three (23), Township One Hundred Three (103) North of Range Thirty-eight (38) West, Jackson County, Minnesota, described as follows: Commencing at a point on the

East section line 1,320.00 feet North of the Southeast corner of the Northeast Quarter (NE $\frac{1}{4}$) as the point of beginning; thence 706.00 feet North on the East Section line; thence West and parallel with the South line of said Northeast Quarter (NE $\frac{1}{4}$) a distance of 533.00 feet; thence South and parallel with the East Section line a distance of 546.00 feet; thence East parallel with the South line of said Northeast Quarter (NE $\frac{1}{4}$) a distance of 49.00 feet; thence South and parallel to the East Section line a distance of 160.00 feet; thence East and parallel with the South line of said Northeast Quarter (NE $\frac{1}{4}$) a distance of 484.00 feet to the point of beginning; and

Parcel 2:

Commencing at the certain iron stake, the location of which is ascertained as follows: Commencing at the Southwest corner of Section Thirty-five (35), in Township One Hundred Four (104) North, Range Thirty-eight (38) West of the Fifth Principal Meridian, thence southerly along the section line between Sections Two (2) and Three (3) of Township One Hundred Three (103), Range Thirty-eight (38) to the center of the railroad track of the Chicago, Milwaukee, and Omaha Railroad, a distance of 283 feet, 5 inches, thence northeasterly along the center of said railroad track a distance of 1,015 feet 2 inches, thence southeasterly at a right angle to the fence line along the Southeast side of said railroad property a distance of 49 feet 7 inches, to said iron stake of 1" X 1" X 18"; starting from said described iron stake thence northeasterly along the Southeast side of said railroad property a distance of 330.00 feet, thence northeasterly along the South side of the site formerly leased from said railroad company by the grantee herein a distance of 155.00 feet, thence northerly along the East side of said formerly leased site to the West side of Jackson County Highway property line, a distance of 40.00 feet, thence South and southeasterly along the West side of said Jackson County Highway property a distance of 219.00 feet to a point marked with a 1" X 1" X 18" iron stake on the Southwest side of said County Highway property, said iron stake being tied with measurements as follows: (northeasterly to Government Elevation Monument Marker 512, distance from stake 363 feet 1 inch and northwesterly to Center of Chicago, St. Paul, Milwaukee and Omaha Railroad track 241 feet 1 inch, and 300.00 feet northeasterly along center of railroad track to the intersection center of the two railroads), thence southwesterly from said iron stake a distance of 617 feet 3 inches to the place of commencement, comprising a measured area of 1.06 acres, all lying and being in the Southwest Quarter (SW $\frac{1}{4}$) of Section Thirty-five (35), Township One Hundred Four (104), Range Thirty-eight (38).

PERSONAL PROPERTY:

All equipment and motor vehicles, including, without limitation, the following-described motor vehicles and the property described in the attached Exhibit A: Ford 1984 CC MHV, VIN: 1FDPF7OH8EVA45706; 1997 Ford F-K, VIN: 1FTDF1721VKC01673; and 1992 International, VIN: 1HTSCNMP8NH427720.

Movant shall be permitted to exercise the remedies concerning the foregoing real property and personal property afforded to it under its mortgage and security agreement and those remedies provided by law or equity.

2. Notwithstanding Fed. R. Bankr. P. 4001(a)(3), this order is effective immediately.

Dated: _____

The Honorable Gregory F. Kishel
Judge of the U.S. Bankruptcy Court

EXHIBIT A
Listing of Equipment

3 GE Speaker Phones
3 Office Desks
3 Office Chairs
1 2-drawer file cabinet
1 Window air conditioner
2 Sentry gates
2 Legal size 4-drawer file cabinets
1 Computer printer
1 Computer keyboard, drive, and monitor
1 Photocopy machine
1 Fax machine
1 Fax storage cabinet
1 Computer table
1 Water cooler and jugs
1 Refrigerator
2 Clocks
1 Drug scale – Hobart
1 Toledo corn scale
1 Moisture tester
1 Microwave
1 Toaster
1 Aluminum drug scoop
1 Twin dry vac with hose and attachments
1 Wet/dry vac
1 Feed cart
4 Fire extinguishers
1 Toro blower
Trouble lights/prop cords
Miscellaneous shovels, brooms, rakes
3 Adding machines
1 Schuld bulk tank
1 Frieson bulk tank
1 Data line
1 Postage scale
2 Ring binders
1 Multiple-hole paper punch
2 Staplers/2 scissors/rulers
2 Scotch Tape dispensers
1 Radio
4 Ink cartridges for printer/copier
Miscellaneous paper products, office supplies
15 Sections of storage stackers
6 Long-life light bulbs
7 Grinding screens

- 2 Folding chairs
- 1 Aluminum ladder
- 1 Aluminum step ladder
- 1 Safety harness and accessories
- 1 1992 International feed truck with box, 9 ton diesel
- 1 1984 Ford feed truck with sliding Box, 6 ton gas
- 1 1997 Ford F-150 regular cab pickup
- 1 50 ft. Fairbanks-Morse Alley scale/pit
- 1 2-ton vertical mixer
- 1 1-ton hopper scale/electronics
- 1 P-195 Jacobson hammer mill
- 1 Wet/dry outside leg/metal
- 1 Inside Mack leg/wood

UNSWORN CERTIFICATE OF SERVICE

I, Kent D. Mattson, declare under penalty of perjury that on October 22, 2004, I mailed copies of the attached Notice of Hearing and Motion for Relief from the Automatic Stay, Memorandum in Support of Motion for Relief of Automatic Stay, and proposed Order Terminating Stay by first class mail postage prepaid to each entity named below at the address stated:

Frank P. Riley
Attorney at Law
915 4th Avenue
Worthington, MN 56187

Paul W. Bucher
U.S. Bankruptcy Court Trustee
P.O. Box 549
Rochester, MN 55903-0549

Leonard E. Nau and
Susan J. Nau
84829 360th Avenue
Okabena, MN 56161

United States Trustee
1015 U.S. Courthouse
South 4th Street
Minneapolis, MN 55415

County Wide Home Loans
P.O. Box 660694
Dallas, TX 75266-0694

Executed on: October 22, 2004.

Signed: /e/Kent D. Mattson
Pemberton, Sorlie, Rufer & Kershner, P.L.L.P.
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Fergus Falls, MN 56538-0866
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